THE BOOTS COMPANY

Report and Accounts
for the year ended 31st March 1995

The Boots Company PLC
Group Head Office
Nottingham NG2 3AA
Telephone: 0115 950 6111

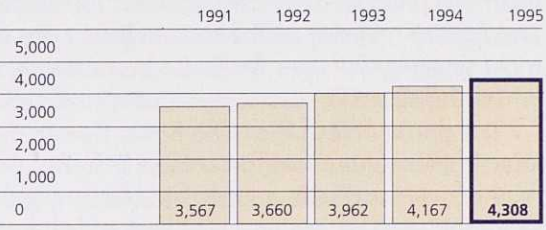
Review	**1**	Group Financial Highlights
	2	Chairman's Statement, Sir Michael Angus
	4	The Company Today
	6	Chief Executive's Review, Sir James Blyth
	8	Financial Review, David Thompson
	12	Operational Review
	31	Employees, Community and the Environment
	36	Board of Directors
	38	Corporate Governance
	39	Directors' Responsibilities Statement
	39	Auditors' Report
	40	Directors' Report
Financial Statements	**42**	Group Profit and Loss Account
	43	Statement of Total Recognised Gains and Losses
	43	Note of Historical Cost Profits and Losses
	43	Reconciliation of Movements in Shareholders' Funds
	44	Balance Sheets
	45	Group Cash Flow Statement
	46	Accounting Policies
	48	Notes Relating to the Financial Statements
	71	Principal Companies
	72	Group Financial Record
	74	Segmental Financial Record – Continuing Operations
	75	Shareholder Information
	76	Index

Turnover increased by 3.4% to £4,308.1 million
Profit before tax before exceptional items increased by 8.4% to £525.6 million
Earnings per share before exceptional items increased by 9.1% to 36.0 pence
Total dividend increased by 13.3% to 17.0 pence
Pharmaceuticals business sold to BASF
Share repurchase of £511.3 million

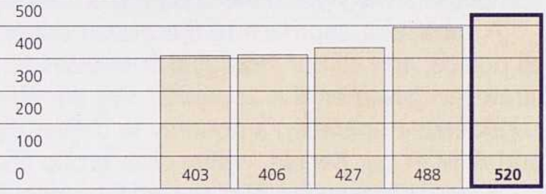
Group Financial Highlights

For the year ended 31st March 1995	1995 £m	1994 £m	Change %
Turnover	**4,308.1**	4,167.1	+3.4
Profit before tax before exceptional items	**525.6**	484.8	+8.4
Profit before tax	**849.7**	416.3	
Net cash	**517.2**	69.0	
Purchase of fixed assets	**255.5**	215.6	+18.6
Earnings per share before exceptional items	**36.0p**	33.0p	+9.1
Earnings per share	**65.7p**	27.7p	
Total dividend	**17.0p**	15.0p	+13.3

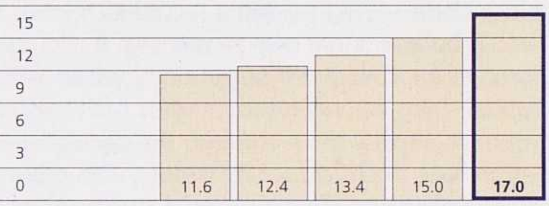
Turnover £m



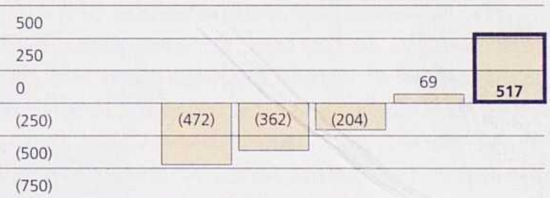
Operating profit before exceptional items £m



Dividends per share pence



Net (debt)/cash £m



Chairman's Statement

In my first year as chairman, I am pleased to report to you a very positive result for The Boots Company, with cash flow and overall profit in line with expectations and well ahead of the previous year. I am therefore able to announce a proposed final dividend of 11.65p per share which gives a total of 17.0p, an increase of 13.3%. This is fully justified by the performance of the business.

We achieved our objectives and resolved a number of strategic issues. In particular, the sale of Boots Pharmaceuticals enabled us to rebalance the business portfolio, so that we can now focus on retailing and the consequent property portfolio on the one hand and health related products on the other.

Researching, developing and manufacturing prescription pharmaceuticals has been a significant Boots business for many years and there was obvious sadness at the sale. However, the consolidation of world pharmaceutical markets, combined with the failure of Manoplax, Boots product for congestive heart failure, meant that the pharmaceuticals business unit could not continue to exist as it was. Selling this operation to BASF of Germany produced the best solution for shareholders, for the future of the business itself, and for the majority of the staff. I would like to thank all the Boots Pharmaceuticals staff most sincerely for their dedication over the years, and especially during the difficult period whilst the strategic review was being undertaken.

The prime objective of The Boots Company is to pursue the creation of long term shareholder value. Total returns to shareholders are measured in dividends paid and share price movement, with adjustments for any bonus and rights issues. At 104%, returns to shareholders have led to a doubling of value over the five years since we adopted this measurement method. This places us second in the challenging league table of ten competitors with which we compare ourselves.

A consistent approach to the measurement of value enables us to judge which options to pursue, and all our individual businesses develop and agree with the Board their strategies based on this approach. We are therefore able to delegate to business units considerable operating autonomy to deliver their business plans and harness the initiative and skills of our people, within clear group guidelines.

A major consequence of our effectiveness is our ability to generate cash. We have recognised for some time that over and above our aggressive business investment programme – we invested a record £255m in fixed assets in the past financial year – there would be additional cash remaining. It is our policy that if in the medium term we cannot forecast an investment opportunity which will create returns greater than the cost of capital, then we will return surplus cash to shareholders in the most efficient manner. This we have already done through the decision last November to undertake the largest share repurchase in UK corporate history. This repurchase of shares at a cost of over £500m achieved a more efficient capital structure for the long term, with the prospect of enhanced earnings per share.

The remuneration and motivation of management are key issues for any company's long term success. To this end, our executive incentives are designed to reinforce the achievement of agreed business plans and align the interests of high quality executives with those of shareholders. The company is committed to paying salaries which are competitive in the market, and bonus schemes provide an opportunity for executives to be paid towards the top of the market range when our business performance is superior. So in a year which has seen a great deal of public interest in the subject of executive pay, I am pleased to report that our five year performance has fully justified the level of rewards for those who have provided the leadership for the business. The details are explained later in this report.

We remain very conscious of all our responsibilities. Customers, trading partners and the community as a whole benefit from the wealth which we create as we build the business, as do all our employees.

Generally, our employees continue to give their best because they are part of a winning team, because of the ethics and culture which permeate the whole company, because of the regard in which they and the company are held and because the company delivers value to them not only in remuneration but in career opportunity. I am grateful to them all for their contribution.

I would like to pay tribute to two of your directors. Gordon Hourston, managing director of Boots The Chemists since 1988, retires at the Annual General Meeting in July after 37 years with the company. Gordon has had responsibility for the dramatic change in profitability at Boots The Chemists in recent years, and has provided inspirational leadership of the management team.

Gordon Solway was responsible for Boots Pharmaceuticals and left the company when the business was sold to BASF at the end of March. Gordon worked for The Boots Company for 34 years and played a pivotal role in the profitable development of the pharmaceutical business in recent years.

We welcome two new executive board members – Steve Russell, who will take over as managing director of Boots The Chemists in August, and Brian Whalan, who is managing director of Halfords. Both have a considerable breadth and depth of retail and general management experience gained through many years of senior appointments within the Boots group of companies.

I am also pleased to welcome Sir Clive Whitmore and Fiona Harrison as non-executive directors. Both have wide experience and will bring added strength to the Board.

The development and success of the company in the last few years are evident from the results. Inevitably there are always issues to be resolved, and no business can ever afford to relax, but I am confident that with the management skills and processes we have in place the company will continue to grow profitably in the future.

Michael Angus

Sir Michael Angus
Chairman

BOOTS THE CHEMISTS

Boots The Chemists This business has 1,167 stores and is managed through two principal chains. There are 935 'small stores' and 225 'large stores'. There are also seven free-standing 'photo centres'. Boots The Chemists is market leader in many areas of its business including healthcare, cosmetics, toiletries, baby consumables, films and film processing.

BOOTS OPTICIANS

Boots Opticians One of the largest chains of opticians in the UK, with 266 practices. Boots own brand products now account for 75% of all sales.

HALFORDS

Halfords The largest retailer of car parts, car accessories, cycles and cycle accessories in the UK. Halfords is also the largest garage servicing organisation in the country. Currently there are 200 stores on the high street and 199 out of town superstores.

CHILDRENS WORLD

Childrens World An edge of town operation with a wide range of children's products from fashion to toys and consumables, currently with 48 stores.

Homestyle by FADS

A. G. Stanley The business is a leading retailer of home decorating materials through Homestyle by FADS and FADS The Decorating Specialists with 387 stores. Homestyle includes home enhancement products, such as co-ordinated fabrics and wallpaper.

DO IT ALL

Do It All A joint venture company owned jointly by Boots and WH Smith, with 201 DIY stores.

BOOTS HEALTHCARE INTERNATIONAL

Boots Healthcare International Responsible for the development and marketing of consumer healthcare products in the UK, Europe, Africa, South East Asia and Australasia. The product range includes Strepsils, Nurofen, Dequadin, Sweetex, Optrex, Mycil and E45.

BOOTS CONTRACT MANUFACTURING

Boots Contract Manufacturing One of the three largest contract manufacturers in Europe. Develops and produces a wide range of own brand products for Boots The Chemists, consumer products for Boots Healthcare International, and numerous products under contract for other companies.

BOOTS PROPERTIES

Boots Properties This business is a leading company in the UK retail property sector. It actively manages the group's UK freehold and long leasehold property portfolio. Its development activities are concentrated in the retail sector.

Turnover £m	Operating profit/(loss) before exceptional items £m	Number of employees
2,943.8	349.7	51,746
119.1	8.3	3,263
377.9	20.5	9,157
104.8	.5	2,277
114.6	(8.5)	2,390
185.3*	(6.3)*	6,501
203.5	9.8	1,800
216.0	17.8	3,657
98.0	66.8	75

*represents the group's share of Do It All's results.

Overall sales for the group increased by 3.4% to £4,308.1m, and profit before tax and exceptional items was up by 8.4% to £525.6m. These are excellent results achieved at a time of great change for the company and when the retail market has been decidedly uncertain.

Each business in the group is pursuing the strategy best suited to the achievement of competitive advantage within its own sector. Whilst this is proving a bigger challenge for some than for others, the performance of Boots The Chemists remains outstanding. It has a unique position and much more to offer. Halfords too is growing to command an unrivalled market position. As we continue to transfer skills and best practice across the group, the competitive advantage of all of our businesses will grow.

The success of the strategy can be seen in the continuing increase in cash flow. This year's growth in cash was such that we were able to purchase 96.1m of our own shares, and so return £507.8m to shareholders in November 1994. Following substantial investment throughout the year including record capital expenditure, the final net cash balance for the year of £517.2m provides more than ample scope for further investment in the business.

Throughout our major retail operations, we continue to refine and develop our skills. We add value by concentrating on the key elements – focused product ranges, competitive prices, customer service and the right shopping environment. Our skills in these areas have again brought success in Boots The Chemists, with profit at £349.7m increased by 8.0%. Although sales grew by only 4.8% in the tough retail market, we again stepped up the gross margins by judicious adjustment to the product mix. Costs have been contained.

Cash flow in Boots The Chemists increased despite continuing investment in new small stores, store refurbishment, information systems and marketing. We have every confidence in the potential of the business to continue to grow.

Boots Opticians has continued to invest in new larger optical practices within Boots The Chemists stores, thereby increasing its market share in very competitive conditions. There was significant volume growth in the new larger practices.

The transfer of expertise to Halfords has gone especially well, as demonstrated by its performance improvement. The business had another successful year with profit up 41.4% thanks to the growing strength of the retail business. The garage servicing loss was reduced to £9.2m. Investment in new stores continues and the current year will see the opening of another 35.

Some of our retail businesses are not yet as successful as we would like. Further progress has to be made in both Childrens World and the jointly owned Do It All, and we have business plans in place to achieve it. So far they are hitting their new strategic targets and I am pleased to report that Childrens World is now in profit. Do It All reduced its loss, and its new format stores are successfully taking market share.

A. G. Stanley remains a problem and was particularly affected by the heavy discounting of paint by DIY competitors. Plans are in place to improve the position. The management team has been restructured, and there will be further refinement of the Homestyle concept.

Boots Healthcare International is investing in the promotion of new brands in new international markets and line extensions in existing markets. Substantial capital and revenue investment will be required over the next few years to capture a bigger share of the growing market for over-the-counter healthcare products, particularly in Europe, which offers significant future potential.

Amongst our major retailing strengths are our ranges of own brand products. These are high quality products which fulfil identified customer needs and bring competitive advantage. A strong example is the Boots The Chemists No7 cosmetic range, which has been repositioned and relaunched. Developed entirely in house, and manufactured by Boots Contract Manufacturing, the launch was in February 1995. Initial customer response brought very substantial sales growth, firmly reinforcing No7 as the market leader in the UK.

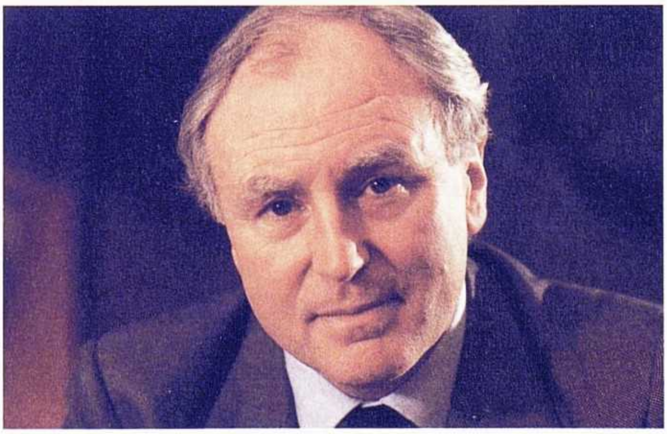
Investment in new production plant for Boots Contract Manufacturing will generate important cost savings and manufacturing flexibility in the future. This business already provides significant competitive advantage through its ability to develop and produce new products for its primary customer, Boots The Chemists, with remarkable speed.

Boots Properties returned a profit of £66.8m. We continue to invest in the enhancement of our existing portfolio and to develop new retail centres in which group retailers will be represented. Most of our property developments will be retained for their long term income stream.

Looking ahead, there are very real opportunities to sustain the growth in the businesses in our portfolio. We will continue to make progress by transferring skills and best practice and creating unique market advantage for each business. The key criterion is always to take decisions which add value, and I am confident that the management team which we now have in place will continue to produce very acceptable returns on investment.

James Blyth

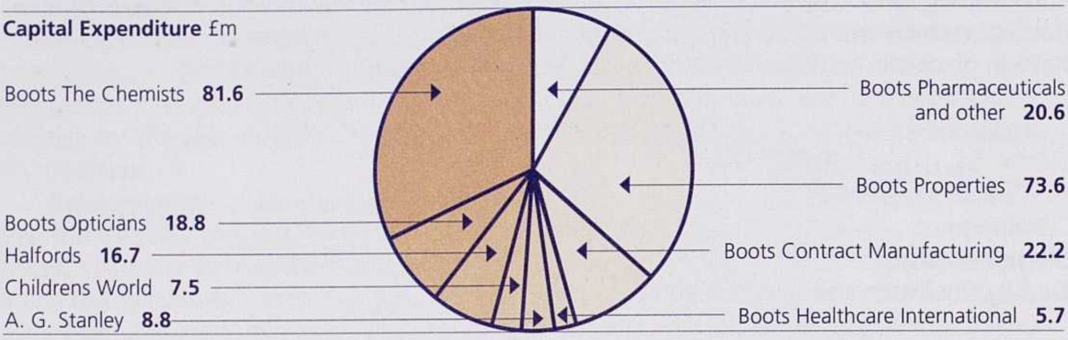
Sir James Blyth
Deputy Chairman and Chief Executive



Cash flow Cash management is one of the key performance measures used by the company to monitor its businesses. A summary of cash flows, including the calculation of free cash flow, is shown below and is testimony to the capability of the businesses to generate cash.

Operating cash flow of £642.3m was £6.4m higher than last year, as shown on page 64. Purchases of fixed assets increased by £39.9m to £255.5m, a record for the group. The analysis below reflects the continuing investment in Boots The Chemists and Boots Properties together with the development of Boots Contract Manufacturing, Halfords and Boots Opticians.

Capital Expenditure £m



Free cash flow is defined as the cash flow available to the providers of capital. The summary below differs from the FRS1 cash flow statement shown on page 45 primarily in that it analyses the movement in net cash rather than cash and cash equivalents.

Summary of cash flows	1995 £m	1994 £m
Operating cash flow	**642.3**	635.9
Disposal of businesses	**896.8**	36.6
Purchase of fixed assets	**(255.5)**	(215.6)
Taxation paid	**(139.5)**	(108.6)
Other items	**26.0**	(10.9)
Free cash flow	**1,170.1**	337.4
Less: Share repurchase	**(511.3)**	–
Dividends paid	**(152.3)**	(47.6)
Net cash flow	**506.5**	289.8

Liquidity and funding The strong cash flow performance included substantial sums from disposals resulting in net cash of £517.2m at the year end.

Total cash investments at the year end were £1,015.6m compared with £491.9m last year and were invested with a maximum maturity of 12 months.

Any seasonal and overseas requirements are met from commercial paper and short term bank borrowings. There are no committed bank facilities.

Treasury policy

Control We have established clear principles covering all major aspects of treasury policy. These aim to benefit longer term shareholders. Strict guidelines for cash investments apply worldwide, and investments are made only in high quality bank deposits and other liquid instruments. Controls are in place which seek to prevent fraud and other unauthorised transactions, and minimise counterparty risk. There are regular reviews by the group's internal audit staff.

Interest rate policy We do not believe hedging the impact of short term movements in interest rates increases the worth of the company, or that long term shareholders ascribe value to the reduction in earnings volatility which results from such hedging.

In common with other UK retailers, the group has significant liabilities through its obligations under property leases, the interest rate on which can be considered to be fixed. In order to change the balance between fixed and floating rate debt, during the year the group entered into a long term interest rate swap on £100m relating to leases. The group also swapped the US$175m bond into floating rate.

Currency exposure policy The major group exposure to the US dollar has been removed with the sale of Boots Pharmaceuticals. The US dollar currency swaps and US dollar bond hedging part of this exposure have been neutralised. Modest sales and purchases are made in a range of currencies, but it is not considered that hedging them into sterling adds value.

Taxation The effective rate of tax for the group is 21.9% (1994 30.3%), although if the effect of exceptional items is excluded the rate increases to 30.6%. The tax charge for the year benefits from US federal tax relief given for Puerto Rican income. This benefit is removed following the sale of Boots Pharmaceuticals.

The capital gain arising in the UK on the disposal of Boots Pharmaceuticals to BASF has in the main been covered by available capital losses.

Accounting standards The company is keen actively to participate in discussions on new and proposed accounting standards and practices. It fully supports the objectives of the Accounting Standards Board aimed at improving the quality and consistency of financial statements for the benefit of shareholders and other users.

Performance measurement Earnings per share (EPS) for the current year shows an increase of 137% from 27.7p to 65.7p. This has been calculated in accordance with FRS3 'Reporting Financial Performance' and has therefore been affected by the exceptional items arising this year. In order to understand the underlying performance of the group an alternative EPS is also reported which adjusts for the exceptional items arising and shows an increase of 9.1%.

However, the board considers that too much prominence is given to EPS as an all embracing measure of performance. In the board's view a better overall measure of long term performance is the total return to shareholders, comprising gross dividends paid and growth in share price.

The board measures the company's total shareholder return against ten leading UK companies. Performance over the past five years is shown below.

Shareholder returns of The Boots Company		Five years to 31 March 1995	%
compared with peer companies.	1	Marks and Spencer	112.9
Returns are calculated using average	**2**	**Boots**	**104.4**
share prices over the 3 months to 31st March.	3	Glaxo	103.3
	4	SmithKline Beecham	96.3
	5	Kingfisher	78.5
	6	J Sainsbury	77.5
	7	W H Smith	67.3
	8	Reckitt and Colman	51.1
	9	Tesco	47.1
	10	Wellcome	43.1
	11	Fisons	(50.1)

Dividend The board is recommending a final dividend of 11.65p per share making a total for the year of 17.0p per share, an increase of 13.3%. Free cash flow cover amounts to over 7 times.

As in previous years shareholders will have an opportunity to increase their shareholding in a cost effective manner by means of a scrip dividend alternative, subject to the appropriate resolutions being passed at the annual general meeting. Hitherto, nearly a quarter of private shareholders have taken up the offer, representing approximately 6% of the issued share capital.

Share repurchase On 15th November 1994, the company purchased 96.1 million of its own ordinary shares for an aggregate cost of £511 million. The shares purchased, representing 9.2% of the issued share capital, have been cancelled.

The transaction was made to demonstrate the company's commitment to returning surplus cash to investors, to achieve a more efficient capital structure for the company, and to realise value from the company's capacity to recover Advance Corporation Tax. This approach was chosen, after careful consideration, as a more effective method of distribution than paying a special dividend.

David Thompson
Finance Director

Boots The Chemists The business continued to produce very good results with profit up 8.0% to £349.7m, a ratio of 11.9% to sales. Sales at £2,943.8m increased 4.8%. Well controlled costs and higher gross margins, up 0.2 percentage points, contributed to the profit performance.

These results were achieved in a climate of low inflation, with Boots The Chemists own price inflation down to 1.7%. The trading environment was fragile, with very little consumer confidence. Despite this, Boots The Chemists continued to build on its position as one of the UK's leading retailers.

Own brands remained at the core of the product strategy and considerable investment was made in the formulation and production of innovative added value products. £20.8m was invested in product development in the year, with 2,000 individual projects in process, whilst 800 new products were introduced.

Sales of beauty and personal care merchandise increased by 8.9%, with increases of 15% in fragrance and cosmetics.

The outstanding success of the year was the repositioning and relaunch in February 1995 of the entire range of No7 colour cosmetics. The brand was positioned further up-market and was supported with additional advertising and completely new instore merchandising. The speed and efficiency with which this was carried through testifies to the strength and flexibility of the group's vertically integrated operations, and the results speak for themselves. In the first three months after launch sales increased by almost 40%.

The second cosmetic own brand, '17', maintained its sales growth with sales up 16.3%. Own brand personal care gift ranges more than proved their value during the successful Christmas trading season, as did perfumes – supported by aggressive promotional activity.

In fulfilling Boots The Chemists strategic commitment to build on its strengths and maintain leadership in chosen markets, pharmacy will remain firmly at the core of the business.

Considerable effort was channelled into developing pharmacy services and the value and number of prescriptions dispensed increased 11.8% and 6.1% respectively, generating growth in market share to 12.4%. A number of services introduced in recent years are now successfully established. Medilink, a nationally linked system for patient medication records, has been operating since April 1994, and over 12 million patients are registered. The system is used in over half of Boots pharmacies every day.

Over-the-counter (OTC) medicines sales increased by 6.3%, an especially welcome performance since, unlike the previous year, there was no flu epidemic. Adjusting for this there was an underlying 8% increase in the performance of OTC medicines.

The excellent sales performance in the core businesses of healthcare, beauty and personal care were offset by lower sales in other merchandise areas, such as computer games, pre-recorded video and music tapes. This was partly a result of a downturn in the market and partly because less space was allocated to such merchandise in the stores.

Throughout the business, the sales and profitability of individual products are monitored with a view to increasing margins by dedicating greater shelf space to the more profitable lines. This also means tailoring the product mix to meet customer needs at each location, and this strategy has shown especially good results in the new stores at stations and airports. There are plans to expand the current travel interchange portfolio of six airport stores and seven station stores, and to open a store at the 'Le Shuttle' terminal in Folkestone.

Thirty six new small stores were opened during the year, and 8 relocated to larger premises. 14 extensions were completed, including stores at Liverpool and Chichester. In the last two years, 74 new small stores have been opened, with another 150 planned.

Boots The Chemists The outstanding success of the year was the repositioning and relaunch in February 1995 of the entire range of No7 colour cosmetics.


No7


Pharmacy
Prescriptions

A further 10% of the chain was refitted, including major projects at Cardiff, Birmingham and Stafford. 38 stores were remodelled to make room for larger instore Boots Opticians.

Whilst margins grew, costs were tightly controlled – for which the further development of information systems has been critical. Much of the current systems development is aimed at cost reduction, particularly in the supply chain. This will greatly improve store efficiency by minimising the stock held, without reducing the availability of goods on the shelves for customers.

A computerised staff planner was introduced for over 300 stores, designed to improve sales and minimise costs through more accurate profiling of staff hours. This will be in place in all stores by March 1996.

High standards of customer service were achieved throughout the chain, supported by good staff training. Major support was given to store staff training, with NVQ Level 1 and 2 qualifications gained by over 11,000 staff.

Boots The Chemists has been working closely with many different organisations to develop strategies for town centre regeneration, and the efforts to help revitalise the country's town centres have been recognised by the Government. These include educational projects, university research, collaborations with county and borough councils and building supportive relationships with banks, building societies and other retailers. A contribution is made to the funding of town centre managers in 64 towns and cities throughout the UK representing 50% of the schemes currently in operation.

Boots The Chemists In fulfilling Boots The Chemists strategic commitment to build on its strengths and maintain leadership in chosen markets, pharmacy will remain firmly at the core of the business.

Boots Opticians Sales increased by 16.7% to £119.1m, with significant volume growth in new, larger practices. The results highlight the opportunity to develop this business, through continued heavy investment in new practices and modern technology, which this year amounted to £18.8m. A further £2.4m was invested in pre-opening costs. These had an inevitable impact on comparable profit, which was lower at £4.2m. Net profit for the year was, however, inflated by VAT recoverable, resulting from a test case in which the High Court ruled that VAT was not payable on the dispensing of spectacles.

During the year, 46 practices were reconfigured to a new format including industry leading technology for eye testing, and trading space increased by over 15%. By the year end, 113 practices had been remodelled, of which 88 were within Boots The Chemists stores.

Competition remained intense throughout the year with discounting on products and eye examinations. Boots Opticians gained share in a flat market, due to its competitive advantages of location, service and own brand product.

The Boots brand was developed through the progressive introduction of new products and a successful promotional programme. Over 75% of sales are of Boots exclusive ranges, which offer excellent value and quality.

Two major products were also launched in the contact lens sector. One is a Boots daily disposable contact lens, the result of a three year development programme. The other is Boots Easiclens, a more effective, easier to use and gentler contact lens solution. Sales of both products were encouraging, winning a larger share of this growing sector.

Halfords This was another excellent year with profit up 41.4% to £20.5m on a sales increase of 5.9% to £377.9m. The retail business performed well, especially the out of town superstores, with total retail sales growing by 8.2% and profit by 19.8%, despite the impact of an unusually mild and wet winter. This result continues the significant progress seen in Halfords over the past two years.

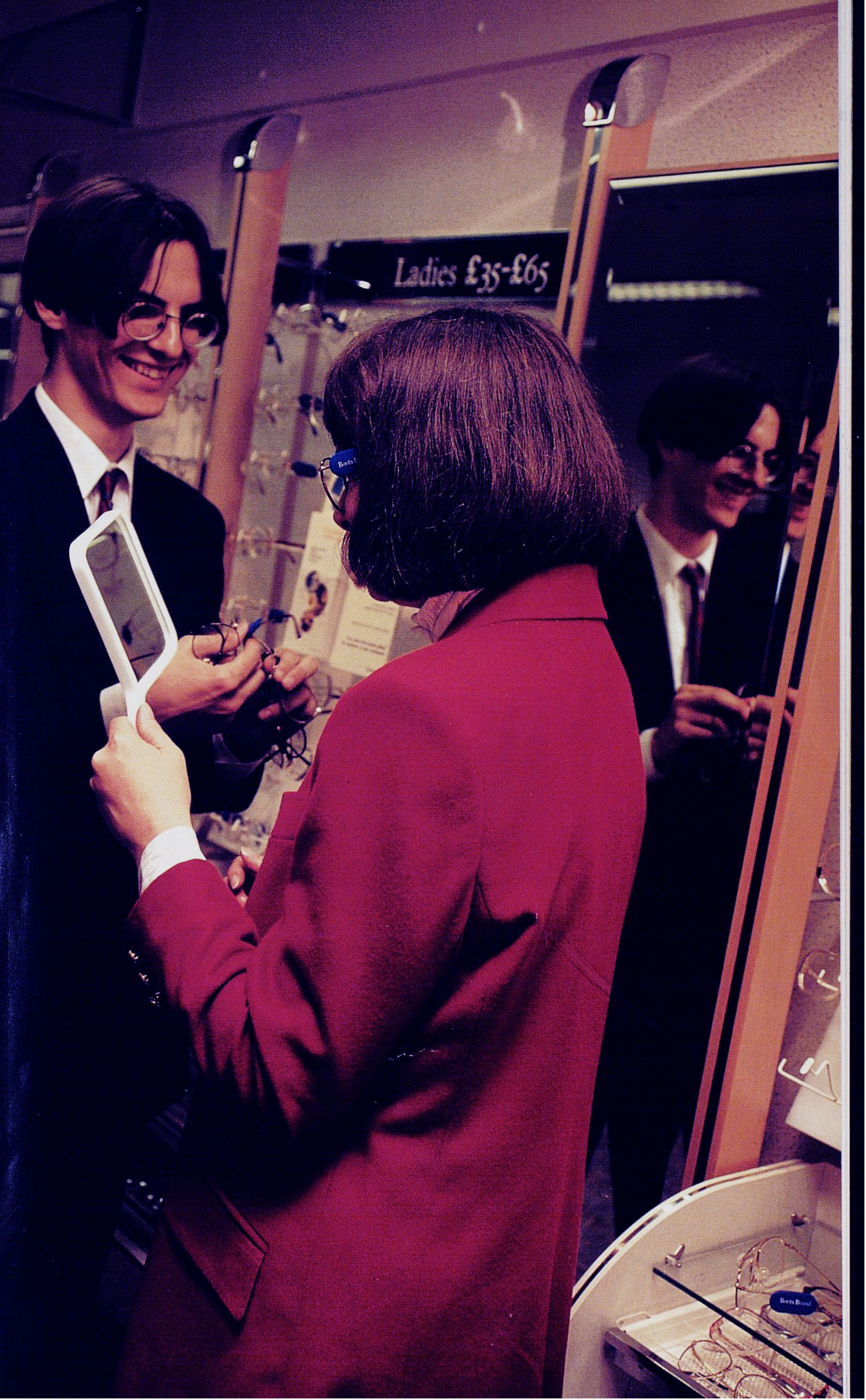
The retail business has now achieved a net profit to sales ratio of almost 9% even after absorbing the costs of the aggressive store repositioning. 32 high street stores were closed to be replaced by 28 more profitable superstores. A further 35 superstores are planned in the year ahead, further stimulating sales and profit growth.

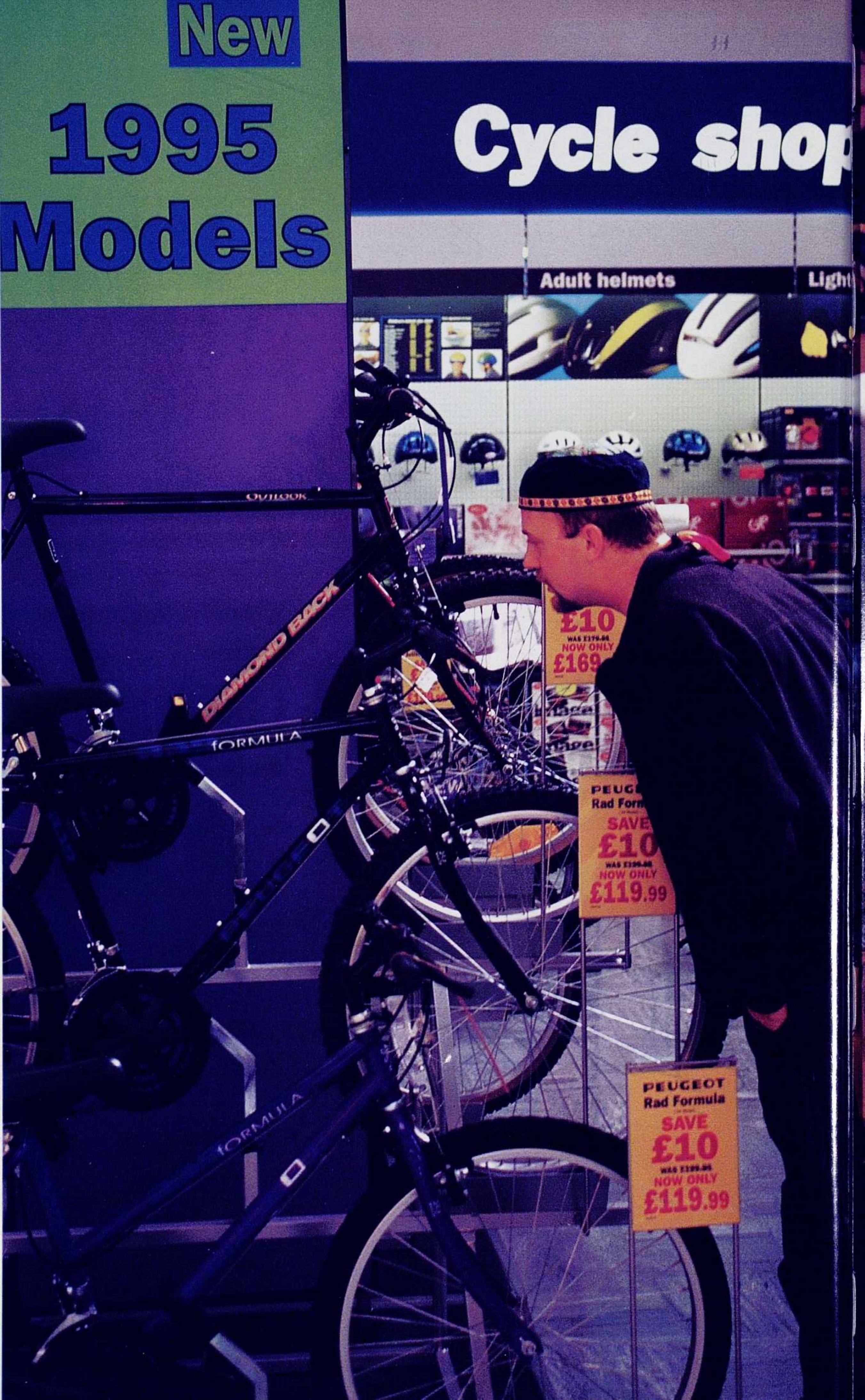
The garage servicing loss of £9.2m was £1.1m better than last year despite the £4.6m sales reduction, largely as a result of a planned move away from low profit work. A further reduction in the level of loss is sought from a more aggressive approach to cost control consistent with the strategic repositioning of this business and supported by a simplified operating system. Additional benefit will derive from the recently announced agreement with Daewoo cars. This innovative new concept involves the promotion, servicing and repair of Daewoo cars in all 136 Halfords garages.

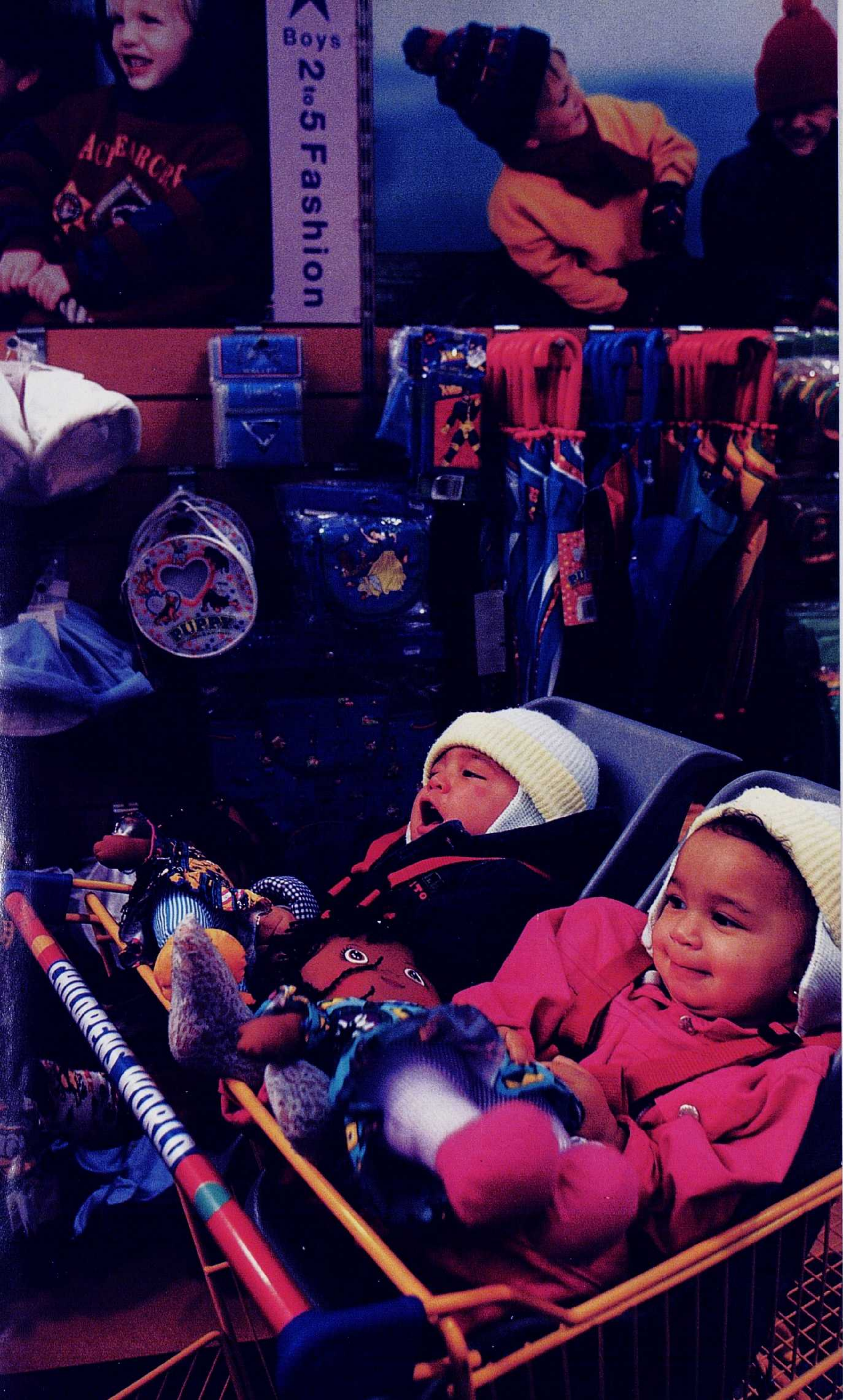
Significant investment continues in the development of Halfords own brand products, with packaging which projects a strong brand image and clear product information. A recent successful example is the car touring range of roofbars and roofboxes. Cycles and cycle accessories also enjoyed considerable success and the range of exclusive Apollo and Carrera cycles helped market share to grow two percentage points to over 25% of the UK market.

Boots Opticians The Boots brand was developed through the progressive introduction of new products. Over 75% of sales are of Boots exclusive ranges, which offer excellent value and quality.

Halfords Significant investment continues in the development of Halfords own brand products with packaging which projects a strong brand image and clear product information. Cycle and cycle accessories enjoyed considerable success. Halfords market share is now over 25% of the UK market.


Ladies £35-£65


New
1995
Models
Cycle shop
Adult helmets
DIAMOND BACK
fORMULA
fORMULA
£10
NOW ONLY
PEUGEOT
Rad Formula
SAVE
£10
NOW ONLY
£119.99


Boys
2 to 5 Fashion
CHILDREN'S WORLD


SIENNA
SIENNA
SIENNA
SIENNA
SIENNA
SIENNA
SIENNA
SIENNA
SIENNA
£ 6.99
SIEN
Homestyle

The parts store development featuring new tool ranges is now in all Halfords superstores and has been well accepted. Halfords now offers a range of workshop equipment and this has the capability to meet the demands of more specialist customers.

In parallel with product and store development, investment has continued to improve the business infrastructure with enhanced stock management and supply systems bringing important new controls.

The strategy to reposition the retail business from the high street to larger edge of town and out of town superstores, coupled with the development of a differentiated and superior product range, will continue to drive profit growth.

Childrens World Sales increased by £20.7m to £104.8m generating profit of £0.5m. The second half of the year recorded a profit of £1.9m against £0.4m in the same period last year.

Investment in new stores continued as part of the plan to create a national retail chain. Nine new stores were opened during the year at a pre-opening cost of £0.8m, bringing the total number of outlets to 48. Further expansion at a similar level is planned for the current year.

Progress was especially encouraging given two unexpected, temporary setbacks. The unseasonably mild autumn weather depressed the sales growth of children's fashions. Customer concern about cot mattress safety followed adverse media publicity, which subsequently proved to be unfounded. The decision to withdraw all mattresses from sale and the cost of customer refunds depressed profit by £0.3m.

The new Childrens World instore design, tested successfully in Oxford and York, will be introduced to new stores opening in 1995/96.

A. G. Stanley It was a difficult year for A. G. Stanley leading to unsatisfactory results, with losses of £8.5m on sales of £114.6m. On a like for like basis this is a decline of 3.3%, and market share went down in the key areas of wallcoverings and paint which account for 58% of sales.

Major factors in this performance were a depressed housing market, over-capacity in DIY retailing, and a continuing trend of DIY shopping away from high streets to out of town centres. The costs of reducing unprofitable high street locations through closures and disposals, together with stock rebalancing and staff restructuring, added to the trading loss.

A new management team has started to reshape the business. The extensive new store opening programme has been significantly reduced with only 10 new stores planned for 1995/96, and the closure of unprofitable stores will continue.

The new business plan involves refocusing the customer offer and raising awareness of the Homestyle co-ordinated concepts which continue to be well received by customers. There will be trials and evaluation, together with significant investment in the infrastructure of the business. The present EPOS installation will be replaced and space, merchandise and operational management information systems will be upgraded.

Childrens World Shopping for children with children. The new Childrens World instore design, tested successfully in Oxford and York, will be introduced to new stores opening in 1995/96.
A. G. Stanley The Homestyle co-ordinated concept continues to be well received by customers.

Do It All Total sales fell by 4.6%, and like for like sales were flat. Sales for the core 140 stores to be retained increased by 3.1%, with a significant improvement in sales intensities. Boots share of the loss in this joint venture with WH Smith was down to £6.3m from £10.6m the year before.

This marks a steady turnround in the business. 81 stores have been refitted and significantly changed to attract the expert and aspiring professional DIY customer. Major management reorganisation has given a sharper focus to the business, and changes within Do It All during the year contributed to increased sales and productivity in the core stores.

So far 61 stores have been refitted in the "project focus" format. The remaining stores to be refitted will be completed by Spring 1996. Certain large stores are being downsized by subletting units.

In parallel there has been investment in systems and a new warehouse of 340,000 square feet opened in Tamworth, Staffordshire. For the first time the business has a central distribution facility which will ensure lower distribution costs, less capital tied up in stock, better on-shelf availability and more productivity in the stores.

This market is unlikely to pick up until house sales lead the way, but there has been greater stability with an end to 'across the board' discounting. Thus gross margins are slowly being restored, and there are now signs that customers are shopping around for total value more than price.

Market research has shown that a lack of customer service is one of the major problems to be overcome in DIY retailing. Heavy investment in staff training is being undertaken to ensure Do It All customers receive the best and most professional service.

Do It All Market research has shown that a lack of customer service is one of the major problems to be overcome in DIY retailing. Heavy investment in staff training is being undertaken to give Do It All customers the best and most professional service.


DO IT ALL


NUROFEN
FEN
00 MG IBUPROFEN
20 DRAGEES

Boots Pharmaceuticals Sales grew by 0.8% to £441.8m, and profit by 8.7% to £86.4m, both on a comparable basis. This is after taking account of the transfer to Boots Healthcare International of businesses in Pacific Rim, Africa and South East Asia, which were predominantly OTC healthcare companies. The licence fee income reduced from £24.5m in the previous year to £3.2m in 1994/95 as the licence agreement with American Home Products for the marketing of Advil came to an end in May 1994.

In North America, Boots Pharmaceuticals Inc. continued to lead the thyroid therapy market with Synthroid, which has product quality advantages over its competitors. Sales of Synthroid increased by 8.5%, partly due to some restocking of the wholesale pipeline earlier in the year, but nonetheless reflecting a significant underlying good performance. It rose to rank as the third most frequently prescribed drug in the USA.

UK sales of Boots out-of-patent products continued to suffer from generic competition. In Asia, Boots India continued its successful growth with sales up by 33% to £38m.

Research and development investment led to the filing in Europe of the first registration dossier for the marketing of sibutramine, a weight reduction agent.

The sale of the business to BASF was completed on 31st March 1995.

Boots Healthcare International After adjusting for non-comparable items, mainly the Farley's business which was sold in July 1994, comparable sales increased by 5.1%. Profit fell substantially to £9.8m due in part to the loss of contribution from Farley. In addition, profit in the second half of the year was affected by the significant investment in product launches throughout Europe, and notably in the UK where two major line extensions were successfully launched – Nurofen Cold & Flu and Nurofen Plus.

Boots Healthcare International (BHI) is an important player in the international market for over-the-counter (OTC) healthcare products. The market is expanding rapidly as consumers more actively manage their own health. Doctors, nurses and pharmacists have a vital role in recommending medicines, but just as consumers are demanding greater choice, governments and healthcare funders face the challenge of keeping down costs. A growing emphasis on self-medication is the logical outcome of these trends.

BHI intends to grow by focusing on four areas of therapy: analgesics, cough and throat medicines, eyecare and skincare. The product development team has been expanded to over 100 specialists, whose efforts are integrated with those of the strategic marketing team. The result will be a stream of market-led, high quality innovative products – under the umbrella of leading brand names – targeted at both well established markets and also emerging markets such as Central Europe. Already core category brands are showing good growth. For example, Nurofen sales increased by nearly 15% and Strepsils over 9%.

The UK subsidiary Crookes Healthcare has been concentrated on the OTC business since the sale of Farley. Crookes has led the UK market in product innovation with a series of highly successful launches: Nurofen Cold & Flu, launched in the late summer of 1994, Nurofen Plus, launched early in 1995, and Junifen, the Nurofen product for children. In skincare, $H^{C}45$ was repackaged to highlight its position as the first hydrocortisone cream to have indications for mild to moderate eczema. Optrex Hayfever also made a successful entry into the eyecare market.

Boots Healthcare International In Europe, Boots Healthcare International companies have continued to make significant progress, with product launches in many countries.

Elsewhere in Europe, BHI companies have continued to make significant progress. Nurofen has been relaunched in Italy and a similar exercise is underway in Spain. In France, Nurofen Enfants et Nourrissons made a major impact. In Belgium, Optrex was introduced and Nurofen captured a place as one of the top three analgesics. In Holland, a restructuring of the business is going to plan.

BHI has now integrated the predominantly OTC business in the Pacific Rim, Africa and South East Asia which was transferred from Boots Pharmaceuticals. These give BHI a presence in the traditional markets of Australia, New Zealand and South Africa and a vital strategic position in emerging South East Asian markets including Thailand and the Philippines. All of these businesses performed well, and already have a strong brand with Strepsils.

The BHI Export team is responsible for all those national markets where products are sold through external distributors. This fast changing area of the business has enjoyed particular success in Central Europe and strong growth opportunities exist throughout the nations of the former Soviet bloc. In the Czech Republic, for example, Strepsils has already become a market leader, and Nurofen is being launched.

Since its formation in 1992, the business has been establishing its own infrastructure. BHI continues to strengthen its team and in the last year has attracted a number of highly qualified experienced professionals.

Boots Contract Manufacturing Sales at £216.0m were 3.4% higher than last year. Growth was held back by the discontinuation of low margin business which did not fit within the strategy of the business. Underlying growth was almost 7%.

Profit at £17.8m was 9.9% above last year, with performance being held back by a significantly higher depreciation charge. This reflects the major refurbishment of a listed production facility in Nottingham, which included the provision of new quality control laboratories, office accommodation and improved production facilities.

Sales to Boots The Chemists – the major customer representing 63% of total sales – increased by 5.3%. Cosmetics grew by 33%, boosted by the relaunch of No7 and the continued growth of '17'. Haircare grew by 19% and suncare by 30%. These successes were offset by lower production volumes following product launches in the previous year, and the discontinuation of the manufacture of some food products.

Boots Contract Manufacturing Development and reformulation of the successful new No7 range of colour cosmetics was undertaken in Boots Contract Manufacturing's consumer products laboratory.


COSTAIN
CWRT
CASTLE CO
IN CONJUNCTION WITH T
OF AN URB
OPEN
150,000

Third party sales account for 15% of the business. These grew by 4.3%, or 17.5% when adjusted for non-comparative activities. There were significant increases in supplies to UK supermarket chains and retail operations in Europe, particularly Spain. Further investment has been made in these major long term opportunities.

Boots Pharmaceuticals accounted for 10% of production, by value, and this business will be largely retained under a finished product supply contract to last at least three years negotiated as part of the sale to BASF.

Operating costs for the year were well controlled and productivity was up 4.7%. The upward pressure on costs due to raw material price increases was counterbalanced by well planned purchasing initiatives.

Total capital expenditure of over £22m was a record for the business. New plant included additional plastic bottle blowing facilities, the refurbishment of the toiletries production facilities in Airdrie, and the expansion of operations to meet demand for prescription products which are not readily available in pharmacies. Investment in information systems was also significant, especially in the area of product development and supply chain management.

Boots Properties Profit from rental income rose by 6.2% to £65.1m with overall profit declining by 0.4% to £66.8m. This was due to a significant reduction in development sales, the only disposal being of a retail park in Southampton which realised a profit of £1.9m.

The proportion of rental income from third party tenants continues to increase and now stands at 13% of the total. Investment properties are valued in excess of £140m and represent over 16% of the total portfolio, the major element being multi-tenanted retail parks.

Boots Properties continues to enhance the quality of the portfolio through acquisition and divestment, and through the development of new, well-located, multi-tenanted, retail centres. Most schemes in the current development programme will be retained in the investment portfolio, producing a steady and predictable income stream for the future.

A record £85m was invested in the business, reflecting a very active year in both investment and development. Disposals raised £9.7m. Investment and divestment decisions are taken after careful assessment of the long term economic value of the rental income compared with the current market price.

£52.6m was spent on property acquisition, mainly multi-tenanted investments in which the group has a retail trading interest, including a shopping parade in Coventry and retail parks in Kilmarnock, Redhill and Taunton. A number of freeholds where Boots The Chemists are sole tenants were also acquired.

Boots Properties The property development programme progressed according to plan. Five schemes were under construction at the year end – shopping centres at Caerphilly, Harrow and Chorley and retail parks at Swindon and Gloucester.

The property development programme progressed according to plan, supporting the requirements from group retailers for quality space. Five schemes were under construction at the year end with a shopping centre at Chorley opening on 13th April 1995. Other shopping centres at Caerphilly and Harrow are progressing well, with retail parks at Swindon and Gloucester due to be completed during 1995. A town centre scheme at Hastings, with prelettings to Marks and Spencer, Bhs, and Boots The Chemists, has received planning consent and construction is expected to start shortly. Planning consent has also been received at Brecon.

The business continues to seek opportunities to add value to existing assets by further development. One example of this process is a retail park in Bromborough acquired in 1992. Two further retail units were added during 1994 with a further phase approved for 1995.

Boots Properties continues to invest in innovative research. An in-house team has been established to build on the extensive information on both high street and retail warehouse locations available within the group. Proprietary rental forecasting models have been developed to assist property selection and reduce development risks.

Employees A significant factor in the delivery of competitive advantage is employee performance management. Salary reviews are based on the ability of the company to pay and the performance of each individual as assessed by his or her line manager. Profit related bonus schemes are directly linked to the performance of the relevant business, and pay levels are benchmarked against peer group companies.

The promotion of the best people is combined with recruitment where particular skills or strengths are needed. The company remains committed to the recruitment and development of graduates, some 400 a year having joined throughout the recession.

Personal development and motivation are key to enhancing performance, and increasingly people are transferred between businesses to help produce more rounded managers. Managers are given direct responsibility at an early stage in their careers, and succession planning is a strategic task at the group centre. The objective is to have a higher calibre management and staff than our competitors.

Some £25 million per year is invested in training, plus the cost of the time for those being trained. Boots The Chemists has 11,000 staff registered for the National Vocational Qualification Retail Certificate (NVQ) and is the largest user in the UK. NVQ's were most recently introduced into the logistics department and the central catering function. Boots The Chemists is also the largest company in the Government sponsored Investor in People scheme, and a number of other businesses in the group are actively seeking accreditation.

The company has an enduring commitment to equal opportunities, with comprehensive training to eliminate discrimination and stereotyping in the workplace. The composition of staff is regularly monitored in terms of gender and ethnic background. Specific advice and career development support is provided for employees with disabilities. Some 43% of the total workforce or 35,000 employees are part time – men and women. They are supported by a range of family friendly policies, including flexible working, term-time working, job share and career breaks. In Boots The Chemists, four years ago only 7% of store staff came back to work after maternity leave. Now over 50% return.

The company remains active as a founder member of Opportunity 2000, the Government backed initiative which aims to improve the representation of women in industry. Some 25% of all senior management posts are now held by women, and in Boots The Chemists the proportion of women at all levels of management has reached 35%.

Clear and consistent two-way communication, especially face-to-face, is essential to business success. This is achieved through line management, a comprehensive structure of staff councils, and trades unions where they represent staff. A number of businesses have reviewed, or are about to review, their staff council constitutions to ensure that they continue to reflect changing needs.

The Boots Company News is sent to employees throughout the world every month, complemented by publications specific to individual businesses. The annual report to staff was voted the best of its kind for the second year running by the British Association of Industrial Editors – Communicators in Business. During the year a quarterly video programme – 'Livewire' – was introduced as part of the group communications strategy, and this was recognised through a European Award of Excellence by the International Association of Business Communication.

INVESTOR IN PEOPLE

POSITIVE ABOUT DISABLED PEOPLE

Community The company fully recognises its impact on and responsibility towards the communities of which it is a part. While vigorously pursuing commercial interests Boots will, at all times, seek to enhance the company's reputation as a well managed, ethical and socially responsible company.

The company's total contribution to the community through charitable and educational donations, charitable sponsorship and the value of merchandise gifts increased from £4.4m in 1994 to £4.7m. This includes £429,400 paid through Boots Charitable Trust, which was established in 1970 and is wholly funded by the company. In addition to direct donations the Trust makes top-up contributions to employees' fund-raising activities on behalf of a wide variety of charities.

Although Boots continues to respond to a growing number of charitable requests, there is an increasingly proactive role. For example Boots The Chemists linked with the Carers National Association to launch Fair Deal Packs and fund other help for the one in seven adults in the UK who care for someone who is ill, disabled or elderly. A major aim is to make them aware of their legal rights to financial and practical support. The company is now adopting a policy which recognises the particular requirements of carers amongst Boots staff.

Much community work is inevitably concentrated in Nottinghamshire, where the company was founded and has its head office, and where over many years a special relationship with the community has developed. A number of notable initiatives have been promoted.

Boots is a leading partner in the funding consortium which brought the Royal Philharmonic Orchestra to Nottingham. An integrated playground was sponsored for able and disabled children at University Park, and at Wollaton Hall the company funded a sensory garden for the vision-impaired which has two thousand plants of distinctive textures, fragrances and colours.

Boots played a leading role in the establishment of Life Education Centre Nottinghamshire, a hi-tech mobile classroom which offers innovative health, alcohol and drug awareness programmes for young people. Promotion, administrative and financial support was provided for Nottinghamshire Childcare Forum, a unique partnership of the public, private and voluntary sectors which is working towards a common childcare strategy for Nottinghamshire.

International studies have documented the vital importance of early education. A major new partnership was commenced with the British Association of Early Childhood Education (BAECE) with finance for pilot projects in Plymouth, Cramlington, Airdrie and Nottingham to identify the most effective means of providing information and support for the parents of young children.

The Boots Recycling Project continued to distribute surplus stock to local, national and international charities. Last year, stock remainders worth over £1m accounted for about half the stock distributed. The rest was special offer remainders, toys and clothing which had become damaged or unsaleable, which were refurbished and given to disadvantaged local children through a workshop partnership with the Nottinghamshire Probation Service.

The Education Liaison Unit was active in teacher placements, work experience, the production of curriculum materials and donations to educational organisations. The Unit developed and sponsored 'The Playmakers' resource pack to encourage partnerships between schools and business.

Community A major new partnership was commenced with the British Association of Early Childhood Education (BAECE) with finance for pilot projects in Plymouth, Cramlington, Airdrie and Nottingham.


THE BOOTS C
Working with the


CARING FOR THE ENVIRONMENT
Nottinghamshire County Council
OIL RECYCLING
SPONSORED BY

Boots continued to be a major sponsor of the Local Enterprise Agency (LEA) network, where public and private sectors come together to offer free help and advice to small businesses. With the creation by the Government of Business Links, the one-stop shop for local business development, the company has reviewed and refocused its support for LEAs to ensure the greatest benefits are secured through Boots contribution.

Boots Properties allows local charities the use of rent-free accommodation in empty stores, and entered a major partnership with the Groundwork Trust environmental charity.

Environment During the year the company continued to improve and develop environmental practice, and there were some important innovations.

Boots The Chemists introduced own brand video cassettes with cases made from 26 million plastic Save-A-Cups recycled in the year. The manufacturing process saves 61% of energy with a 78% reduction in waste going to landflll, saving the equivalent of 200 tonnes of oil a year. The cardboard sleeves are made from a minimum 70% recycled fibre, saving 17 tonnes of virgin fibre. This innovation closes the loop by providing a market for the plastic recovered from our staff Save-A-Cup schemes, which are enthusiastically supported by staff throughout the group.

Boots Contract Manufacturing began a major initiative to reduce water and product discharges to sewers. The aim is to reduce annual water usage by around 110 million litres, with the potential to save 130,000 million litres.

The Electrical Industry Review Awards presented an award to Boots The Chemists for the Energy Efficient Stores Lighting Scheme described last year. This generates 80% savings in running costs and is being adopted across the group, together with other energy efficient management systems. The packaging audit system introduced by Boots The Chemists to reduce packaging waste received a commendation in the RSA Environmental Management Awards, and this initiative too is being extended company-wide.

Halfords launched an oil recycling scheme in partnership with local authorities, installing distinctive oil recycling banks on 22 civic amenity sites in England and Scotland. This scheme will be expanded during 1995/96. In addition, over 10,000 tonnes of material was sent for recycling from Boots The Chemists' central recycling centre.

Do It All and Boots The Chemists, as members of the World Wide Fund for Nature (WWF) 1995 Group, continued to be committed to the development of independent certification of timber for sustainable forestry management. The group provides significant support to many other partnership ventures, in particular the Government's packaging initiative, through involvement in the Producer Responsibility Group. Boots Opticians no longer supply tortoiseshell and horn spectacle frames.

Boots believes in incorporating best environmental practice within everyday business management systems. Through partnerships with major suppliers and environmental auditing, the company's influence extends throughout the supply chain. This year's progress in Boots core businesses has laid the foundations for sound environmental performance in the years ahead.

Environment Halfords launched an oil recycling scheme in partnership with local authorities, installing distinctive oil recycling banks on 22 civic amenity sites in England and Scotland.

Above:
Sir Michael Angus
Sir James Blyth
D A R Thompson

Centre:
R P Wilson
A H Hawksworth
Sir Ian Prosser
Sir Clive Whitmore
P J Davis

Right:
G R Solway
Sir Peter Reynolds
G M Hourston
F M Harrison
M F Ruddell

Board of Directors at 31st March 1995

Sir Michael Angus, Chairman. Sir Michael, 65, became a director in March 1994. Previously chairman of Unilever, he is now chairman of Whitbread PLC, deputy chairman of British Airways Plc and a director of National Westminster Bank Plc. He was president of the Confederation of British Industry from May 1992 until May 1994.

Sir James Blyth, Deputy Chairman and Chief Executive. Sir James, 55, joined the company and the board in October 1987 as chief executive, after previous appointments as group managing director of The Plessey Company and head of defence sales at the Ministry of Defence. He is a governor of London Business School and chairman of the Prime Minister's Advisory Panel on the Citizen's Charter.

* **P J Davis**. Peter Davis, 53, became a director in May 1991. He is group chief executive of the Prudential Corporation and was formerly chairman of Reed International plc. He spent ten years at J. Sainsbury where he became assistant managing director with responsibility for buying and marketing operations.

* **F M Harrison**. Fiona Harrison, 44, became a director in 1994. She is chief executive of Coats Viyella's Fashion Retail Division which operates the Jaeger and Viyella retail chains, including the design, manufacture and sourcing of merchandise. She was previously managing director of the worldwide Clairol Appliances business within the Bristol-Myers Squibb company.

A H Hawksworth, TD, DL, Personnel Director. Alan Hawksworth, 59, joined the company in 1959 and became a director in 1984. He was previously director of personnel, Pharmaceuticals Division. He is a Fellow of the Institute of Personnel and Development, a Deputy Lieutenant of Nottinghamshire and the treasurer of the University of Nottingham.

G M Hourston, Managing Director, Boots The Chemists. Gordon Hourston, 60, joined the company in 1958 and became personnel director on his board appointment in 1981. He is a Fellow of the Royal Pharmaceutical Society of Great Britain, chairman of the Company Chemists Association, chairman of the Armed Forces Pay Review Body and a member of the Senior Salaries Review Body. He became deputy managing director of Boots The Chemists in 1984 and became managing director in June 1988.

* **Sir Ian Prosser**. Sir Ian, 51, became a director in 1984. He is chairman and chief executive of Bass and is a director of Lloyds Bank. He is a chartered accountant.

* **Sir Peter Reynolds**, CBE. Sir Peter, 65, became a director in 1986. He is chairman of Pioneer Concrete Holdings and a director of Pioneer International, Avis Europe, Guardian Royal Exchange Assurance and the Covent Garden Market Authority.

M F Ruddell, Managing Director, Boots Properties. Mike Ruddell, 51, joined the company in 1966 and became a director in 1984. In 1986, he became large stores director with responsibilities including merchandise and buying within Boots The Chemists. He took up his present position in June 1988. He is a non-executive director of Community Hospitals Group and a member of the Board of Governors of Nottingham Trent University.

G R Solway, Managing Director, Boots Pharmaceuticals. Gordon Solway, 58, joined the company in 1961 and became a director in 1979. He moved to Boots Pharmaceuticals in 1982 and was in charge of North American businesses from 1986, before taking up the position of managing director in January 1992.

D A R Thompson, Finance Director. David Thompson, 52, joined the company in 1966 and became finance director on his board appointment in July 1990. He became Retail Division finance director in 1980 and group financial controller in 1989. He is a chartered accountant.

* **Sir Clive Whitmore**, GCB, CVO. Sir Clive, 60, became a director in September 1994 after leaving the Civil Service where he was the permanent secretary first of the Ministry of Defence and then of the Home Office. He is a non-executive director of the Morgan Crucible Company PLC, Racal Electronics PLC and N.M. Rothschild & Sons Limited.

* **R P Wilson**. Robert Wilson, 51, became a director in December 1991. He has been with the RTZ Corporation for 25 years and became its chief executive in 1991.

* Non-Executive Director

Board Audit Committee
Sir Ian Prosser
P J Davis
Sir Peter Reynolds
R P Wilson

Board Nominations Committee
Sir Michael Angus
Sir James Blyth
P J Davis
F M Harrison
Sir Ian Prosser
Sir Peter Reynolds
Sir Clive Whitmore
R P Wilson

Board Remuneration Committee
Sir Michael Angus
P J Davis
Sir Ian Prosser
Sir Peter Reynolds
R P Wilson

Board Social Responsibilities Committee
P J Davis
A H Hawksworth
F M Harrison
Sir Clive Whitmore

Secretary
I A Hawtin

Registered Office
Nottingham NG2 3AA

Registered Number
27657

Auditors
KPMG

Bankers
National Westminster Bank Plc

The company has complied fully with the code of best practice published by the Cadbury Committee on the financial aspects of corporate governance in so far as its provisions have been brought into effect.

Board Structure

Details of the board of directors are shown on pages 36, 37 and 41.

Details of the composition of the four board committees are also shown on page 37. The main responsibilities of the committees are as follows:

Board Audit Committee

- to review and advise the board on the interim and annual financial statements.
- to review with the external auditors the nature and scope of their audit and the results of that audit, any control issues raised by them and management's response.
- to make recommendations as to the reappointment and remuneration of the external auditors and any question of their resignation or removal.
- to review the scope and results of the internal audit programme and the adequacy of the resources of the internal audit function and to receive an annual report on internal audit matters.

Board Nominations Committee

- to consider and make recommendations to the board about the appointment of directors, the standing for re-election of directors and the structure and composition of the board generally.

Board Remuneration Committee

- to determine the remuneration of the executive directors, having regard to their performance.
- to determine the terms and conditions on which executive directors are employed by the company, including the provision of service contracts with them and pension arrangements for them.
- to approve incentive bonus schemes applicable to executive directors and to authorise payments in accordance with such schemes.

Board Social Responsibilities Committee

- to keep under review the company's policies and practices in the areas of social responsibility including those relating to health, safety, the environment, equal opportunities, race relations and employment of the disabled.

Going Concern

During the year guidance was issued to directors for reporting that the company is a going concern. Having made appropriate enquiries, the directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Internal Control

The directors are responsible for the group's system of internal financial control. These controls are established in order to safeguard the group's assets, maintain proper accounting records and ensure that financial information used within the business or published is reliable. Any such system of internal financial control can, however, only provide reasonable, but not absolute, assurance against material misstatement or loss.

Guidelines for reporting on internal financial control have only recently been finalised and will become effective for the company's 1996 financial statements. The key elements of the group's system of internal financial control are as follows:

- Members of the board have responsibility for monitoring the conduct and operations of individual businesses within the group. This includes the review and approval of business strategies and plans and the setting of key business performance targets. The group has a formal and comprehensive process for the determination of business strategies and this process is co-ordinated and monitored by the group centre. The executive management responsible for each business are accountable for the conduct and performance of their business within the agreed strategies.
- Business plans provide a framework from which annual business budgets are prepared. These budgets form the basis of a group budget which is approved by the directors. Actual results of each business are reported monthly against these budgets along with updated half year and full year forecasts. In addition the performance of the businesses against strategic targets is reported. These results are consolidated, appraised and communicated to the board. As part of the ongoing appraisal process, business activity, performance and control are monitored and assessed by the group centre.
- The company has clearly defined and formalised requirements for approval and control of expenditure. Investment decisions involving capital or revenue expenditure are subject to formal detailed appraisal and review according to approval levels set by the board. Significant expenditure of this nature requires approval by a director or the board. Post audit reviews are undertaken by the businesses on completion of such investments and the outcome of these reviews is monitored by the board. Other expenditure is controlled within the annual budgeting framework. Approval levels for such expenditure are determined by the individual businesses.
- The audit committee meets three times a year and its responsibilities are outlined above. It receives reports from the internal audit function and the external auditors. It also requests the attendance of business management, as required, to report on controls relating to specific business activity.

Directors' Responsibilities Statement

The directors are required by the Companies Act 1985 to prepare financial statements which give a true and fair view of the profit or loss for the financial year and of the state of affairs of the company and the group at the end of that period. The directors are of the opinion that suitable accounting policies have been used and applied consistently, applicable accounting standards have been followed, and reasonable and prudent judgements and estimates have been made. The financial statements have been prepared on a going concern basis. The directors have a responsibility to ensure that the company and its subsidiaries have suitable internal controls for maintaining adequate accounting records, for safeguarding the assets of the group, and for preventing and detecting fraud and other irregularities.

Auditors' Report

Report of the Auditors to the members of The Boots Company PLC.

We have audited the financial statements on pages 42 to 70.

Respective responsibilities of directors and auditors
As described above, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31st March 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors
Birmingham
31st May 1995

The directors of The Boots Company PLC present their annual report to shareholders, together with the audited financial statements for the year ended 31st March 1995.

Principal activities

The group's principal activities during the year were:

- retailing of chemists' merchandise, autoparts, DIY, opticians and children's merchandise.
- the research, manufacture and marketing of pharmaceutical and consumer products.
- property investment, development and management.

As explained below, the group completed the sale of its prescription pharmaceuticals business on 31st March 1995.

Further information on the group's continuing activities is provided on pages 4 and 5.

Business review and future developments

A review of group activities during the year and likely future developments are dealt with in the Chief Executive's Review and the other business reviews on pages 6 to 30.

Group results

The group profit and loss account for 1995 shown on page 42 includes the following details:

	1995 £m	1994 £m
Turnover	**4,308.1**	4,167.1
Profit on ordinary activities before exceptional items and taxation	**525.6**	484.8
Profit on ordinary activities before taxation	**849.7**	416.3

Appropriations

The directors recommend the payment of a final dividend of 11.65p per share which, if approved by shareholders, will be paid on 23rd August 1995 to shareholders registered on 29th June 1995. When added to the interim dividend of 5.35p paid on 3rd February 1995, this makes a total dividend payment for the year of 17.0p per share (1994 15.0p per share). Payment of these dividends requires £166.4m (1994 £156.0m), leaving £492.8m (1994 £132.3m) retained in the business.

Group structure

On 22nd July 1994, Boots Healthcare International completed the sale of its Farley's infant milk and food business to H.J. Heinz Company.

On 31st March 1995, the group disposed of its prescription pharmaceuticals business to BASF. The business sold comprised certain subsidiary companies, mainly operating overseas, together with assets and liabilities in the UK.

Further details of these disposals are provided in note 5 on page 53.

Share capital

Details of changes in the share capital are shown in note 22 on page 63.

At the annual general meeting on 21st July 1994 shareholders authorised the company to make market purchases of its own ordinary shares of 25p each.

On 15th November 1994, the company entered the market and purchased 96.1 million shares, 9.2% of the total in issue on that date, at a total cost of £511.3m.

At the forthcoming annual general meeting on 27th July 1995, shareholders will be invited to renew the company's authority to make further market purchases. The authority will be limited to the purchase of not more than 94.9m ordinary shares, being approximately 10% of the ordinary shares in issue at the date of this report; the maximum price payable to be 105% of the average of the middle market quotations for the 10 business days before the purchase, with a 25p minimum, exclusive of any expenses payable by the company.

Shareholders

As at 31st May 1995 the register maintained by the company under Section 211 of the Companies Act 1985 did not contain any notification to the company that anyone held 3% or more of the issued ordinary share capital of the company.

Fixed assets

The group's UK freehold and long leasehold properties, excluding factories and specialised buildings, were valued by the directors in conjunction with the group's own professionally qualified staff at 31st March 1993. The valuation, which was on an open market value basis for existing use, was incorporated in the financial statements of that year. The directors are of the opinion that the market value of the group's properties at 31st March 1995 was not materially different from that stated in the financial statements.

Details of movements in fixed assets are shown on pages 55 to 58.

Staff

The company continues to involve staff in the decision-making process and communicates regularly with them during the year. Their involvement in the company's performance is encouraged with employee bonus and share schemes. The involvement extends to the board of Boots Pensions Ltd, on which there are four employee representatives. The company's aim for all members of staff and applicants for employment is to fit the qualifications, aptitude and ability of each individual to the appropriate job, and to provide equal opportunity regardless of sex, religion or ethnic origin. The company does all that is practicable to meets its responsibility towards the employment and training of disabled people. Where an employee becomes disabled every effort is made to provide continuity of employment in the same job or a suitable alternative. Further information is shown on page 31.

Charitable donations
Donations for charitable and educational purposes in the UK for the year were £2,204,000 (1994 £1,831,000). There were no political payments. Further information on community relations is shown on pages 32 to 35.

Directors
Details of directors who served during the year are shown on pages 36 and 37.
At the conclusion of the company's annual general meeting on 21st July 1994, Sir Christopher Benson retired from the board. Sir Michael Angus succeeded him as Chairman.
Mr K Ackroyd and Mr G R Solway retired from the board on 31st July 1994 and 31st March 1995 respectively.
Sir Clive Whitmore and Ms F M Harrison were appointed as non-executive directors of the company on 28th September 1994. They both retire at the annual general meeting in accordance with Article 86 and offer themselves for reappointment. Neither has a service contract with the company.
Mr S G Russell and Mr B E Whalan were appointed as directors of the company on 28th April 1995. They both retire at the annual general meeting in accordance with Article 86 and offer themselves for reappointment. Each of them has a service contract with the company, subject to two years' notice of termination by the company.
Mr G M Hourston, Mr A H Hawksworth and Mr M F Ruddell retire by rotation at the annual general meeting in accordance with Article 87. Mr Hawksworth and Mr Ruddell, who both have service contracts with the company, offer themselves for reappointment.
Mr Hawksworth's service contract will expire on 31st July 1996 and Mr Ruddell's is subject to two years' notice of termination by the company.
No director had any interest, either during or at the end of the financial year, in any contract which was significant in relation to the group's business, other than a service contract.
Details of the interests of the directors and their families in the share capital of the company at 31st March 1995 are shown in note 28 on page 70.
The company has maintained insurance for the directors against liabilities in relation to the company.

Company status
The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the company.

Auditors
The auditors have signed their report on page 39 under their new name. It is proposed to reappoint KPMG as auditors and a resolution to reappoint them and to authorise the directors to fix their remuneration will be proposed at the annual general meeting.

By order of the board
31st May 1995
I A Hawtin
Secretary

Group Profit and Loss Account

For the year ended 31st March 1995	Notes	Before exceptional items 1995 £m	Exceptional items (note 4) 1995 £m	Total 1995 £m	Before exceptional items 1994* £m	Exceptional items (note 4) 1994* £m	Total 1994* £m
Turnover							
Continuing operations		**3,894.1**	**–**	**3,894.1**	3,754.1	–	3,754.1
Discontinued operation		**414.0**	**–**	**414.0**	413.0	–	413.0
Total turnover	1	**4,308.1**	**–**	**4,308.1**	4,167.1	–	4,167.1
Operating profit							
Continuing operations		**433.8**	**2.8**	**436.6**	408.4	(38.8)	369.6
Discontinued operation		**86.4**	**–**	**86.4**	79.5	(35.0)	44.5
Total operating profit	1, 3	**520.2**	**2.8**	**523.0**	487.9	(73.8)	414.1
Profit/(loss) on disposal of fixed assets	4						
Continuing operations		**–**	**1.2**	**1.2**	–	2.8	2.8
Discontinued operation		**–**	**–**	**–**	–	(6.8)	(6.8)
Profit on disposal of businesses	5						
Continuing operations		**–**	**47.0**	**47.0**	–	9.3	9.3
Discontinued operation		**–**	**273.1**	**273.1**	–	–	–
Profit on ordinary activities before interest		**520.2**	**324.1**	**844.3**	487.9	(68.5)	419.4
Net interest	6	**5.4**	**–**	**5.4**	(3.1)	–	(3.1)
Profit on ordinary activities before taxation		**525.6**	**324.1**	**849.7**	484.8	(68.5)	416.3
Tax on profit on ordinary activities	7	**(161.0)**	**(24.8)**	**(185.8)**	(140.3)	14.0	(126.3)
Profit on ordinary activities after taxation		**364.6**	**299.3**	**663.9**	344.5	(54.5)	290.0
Minority interests		**(3.9)**	**(.8)**	**(4.7)**	(1.7)	–	(1.7)
Profit for the financial year attributable to shareholders	8	**360.7**	**298.5**	**659.2**	342.8	(54.5)	288.3
Dividends	9			**(166.4)**			(156.0)
Profit retained				**492.8**			132.3
Earnings per share	10	**36.0p**	**29.7p**	**65.7p**	33.0p	(5.3)p	27.7p

* restated as explained in note 2 on page 51.

Statement of Total Recognised Gains and Losses

For the year ended 31st March 1995	1995 £m	1994* £m
Profit for the financial year attributable to shareholders	**659.2**	288.3
Surplus on revaluation of investment properties	**6.6**	16.8
Currency translation differences on foreign currency net investments (including goodwill)	**(18.5)**	1.7
Other gains and losses	**.2**	.7
Total recognised gains and losses for the year	**647.5**	307.5

Note on Historical Cost Profits and Losses

For the year ended 31st March 1995	1995 £m	1994* £m
Reported profit on ordinary activities before taxation	**849.7**	416.3
Realisation of property revaluation surpluses	**1.0**	4.8
Difference between historical cost depreciation charge and actual charge for the year calculated on revalued amounts	**.1**	–
Historical cost profit on ordinary activities before taxation	**850.8**	421.1
Historical cost profit retained	**493.9**	137.1

Reconciliation of Movements in Shareholders' Funds

For the year ended 31st March 1995	1995 £m	1994* £m
Total recognised gains and losses for the year	**647.5**	307.5
Dividends	**(166.4)**	(156.0)
New share capital issued (net of expenses)	**15.4**	9.3
Repurchase of shares (note 22)	**(511.3)**	–
Goodwill purchased	**(3.9)**	(7.1)
Goodwill released on disposal of businesses	**383.4**	.4
Currency adjustment on goodwill	**33.6**	(23.7)
Net increase in shareholders' funds	**398.3**	130.4
Opening shareholders' funds (see below)	**1,608.6**	1,478.2
Closing shareholders' funds	**2,006.9**	1,608.6
Opening shareholders' funds as previously reported	**1,608.6**	1,478.6
Prior year adjustment (note 2)	**–**	(.4)
Opening shareholders' funds as restated	**1,608.6**	1,478.2

* restated as explained in note 2 on page 51.

Balance Sheets

31st March 1995	Notes	Group 1995 £m	Group 1994* £m	Parent 1995 £m	Parent 1994 £m
Fixed assets					
Intangible assets	11	**28.7**	51.4	**3.0**	11.4
Tangible assets	12	**1,498.0**	1,473.9	**176.1**	214.8
Investments	13	**30.6**	57.1	**977.1**	637.5
		1,557.3	1,582.4	**1,156.2**	863.7
Current assets					
Stocks	14	**489.8**	521.6	**162.1**	164.1
Debtors falling due within one year	15	**319.5**	362.3	**444.7**	312.8
Debtors falling due after more than one year	15	**4.7**	4.2	**160.9**	197.5
Investments and deposits	16	**1,015.6**	491.9	**986.8**	251.8
Cash at bank and in hand		**14.6**	11.5	**.1**	304.7
		1,844.2	1,391.5	**1,754.6**	1,230.9
Creditors: Amounts falling due within one year	17	**(1,082.3)**	(1,013.0)	**(763.2)**	(459.3)
Net current assets		**761.9**	378.5	**991.4**	771.6
Total assets less current liabilities		**2,319.2**	1,960.9	**2,147.6**	1,635.3
Creditors: Amounts falling due after more than one year	18	**(264.7)**	(315.9)	**(738.3)**	(551.6)
Provisions for liabilities and charges	20	**(47.6)**	(29.1)	**(24.4)**	(2.9)
Net assets		**2,006.9**	1,615.9	**1,384.9**	1,080.8
Capital and reserves					
Called up share capital	21, 22	**237.2**	260.2	**237.2**	260.2
Share premium account	21	**219.0**	204.6	**219.0**	204.6
Revaluation reserve	21	**310.7**	304.9	**–**	–
Capital redemption reserve	21	**24.0**	–	**24.0**	–
Profit and loss account	21	**1,216.0**	838.9	**904.7**	616.0
Equity shareholders' funds		**2,006.9**	1,608.6	**1,384.9**	1,080.8
Equity minority interests		**–**	7.3	**–**	–
		2,006.9	1,615.9	**1,384.9**	1,080.8

* restated as explained in note 2 on page 51.

The financial statements were approved by the board of directors on 31st May 1995 and are signed on its behalf by:

Sir Michael Angus
Chairman

Sir James Blyth
Deputy Chairman and Chief Executive

David Thompson
Finance Director

Group Cash Flow Statement

For the year ended 31st March 1995	Notes	1995 £m	1995 £m	1994 £m	1994 £m
Net cash inflow from operating activities	23		**642.3**		635.9
Returns on investment and servicing of finance					
Interest received		**49.4**		38.4	
Interest paid		**(41.2)**		(38.4)	
Dividends paid to shareholders		**(151.5)**		(46.9)	
Dividends paid to minority interests		**(.8)**		(.7)	
Net cash outflow from returns on investment and servicing of finance			**(144.1)**		(47.6)
Taxation					
UK corporation tax paid		**(113.2)**		(92.5)	
Overseas tax paid		**(26.3)**		(16.1)	
Tax paid			**(139.5)**		(108.6)
Investing activities					
Purchase of fixed assets		**(255.5)**		(215.6)	
Purchase of businesses	23	**(7.8)**		(18.0)	
Investment in and loans to associated undertakings		**(4.8)**		(25.2)	
Disposal of fixed assets		**24.5**		27.0	
Disposal of businesses	5	**896.8**		36.6	
Decrease/(increase) in short term investments and deposits		**185.5**		(65.6)	
Net cash inflow/(outflow) from investing activities			**838.7**		(260.8)
Net cash inflow before financing			**1,197.4**		218.9
Financing					
Issue of ordinary share capital		**5.9**		5.3	
Repurchase of shares (note 22)		**(511.3)**		–	
Investment in 10.125% bond 2017		**–**		(120.3)	
Capital element of finance lease rental payments		**(1.3)**		(1.0)	
Decrease in other borrowings		**(2.2)**		(10.2)	
Net cash outflow from financing			**(508.9)**		(126.2)
Increase in cash and cash equivalents	23		**688.5**		92.7

The following accounting policies have been used in dealing with items which are considered material in relation to the group and parent company financial statements.

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under alternative accounting rules set out in Schedule 4 to the Companies Act 1985, being prepared under the historical cost convention adjusted by the revaluations of certain properties at open market value. A separate profit and loss account for the parent company has not been presented as permitted by section 230 of the Companies Act, 1985.
Changes in accounting policies during the year are described in note 2 on page 51.

Consolidation

The financial statements combine the results of the parent undertaking and all its subsidiary and associated undertakings, to the extent of group ownership and after eliminating intra-group transactions.
The results of businesses acquired or disposed of are consolidated from or to the effective dates of acquisition or disposal. Only where a disposal materially affects the nature and focus of the group's operations is the business sold treated as a discontinued operation.
Associated undertakings are those undertakings, not recognised as subsidiaries, in which the group has a participating interest of between 20% and 50% and over whose policies the group is able to exercise a significant degree of influence. The group's share of the results of associated undertakings is included in the profit and loss account and its share of their net assets excluding goodwill is included in investments in the group balance sheet.
In the parent company's balance sheet, investments in subsidiary and associated undertakings are stated at cost less provision for permanent dimunition in value.

Foreign currencies

The results and cash flows of overseas subsidiaries are translated into sterling on an average exchange rate basis, weighted by the actual results of each month. Assets and liabilities including currency swaps are translated into sterling at the rates of exchange ruling at the balance sheet date.
Exchange differences arising from the translation of the results and net assets of overseas subsidiaries, less offsetting exchange differences on foreign currency borrowings and currency swaps hedging those assets, are dealt with through reserves. For this purpose net assets include goodwill set off against reserves.
All other exchange differences are dealt with in the profit and loss account.
The cost of the parent company's investment in shares in overseas subsidiaries is stated at the rate of exchange in force at the date each investment was made.

Goodwill

Goodwill on acquisitions, being the excess of the cost of investment in subsidiary and associated undertakings over the fair value of net assets acquired, is set off against reserves. On disposal of a business, any goodwill previously set off against reserves is charged in the calculation of the profit or loss on disposal.
Goodwill arising from overseas acquisitions and denominated in foreign currencies is retranslated at the rate of exchange ruling at the balance sheet date. Any gain or loss arising is recognised in the statement of total recognised gains and losses.

Fixed assets and depreciation

No depreciation is provided on freehold land, investment properties, shop freeholds and shop long leaseholds with more than 50 years to run, nor on assets in the course of construction. In the opinion of the directors, shop properties are maintained to such a high standard by a programme of repair and refurbishment that the estimated residual value of these properties, based on the prices prevailing at the time of acquisition or subsequent revaluation, are sufficiently high to make any depreciation charge unnecessary. Any permanent diminution in the value of such properties is charged to the profit and loss account as it arises.
Other tangible fixed assets are written off by equal instalments over their expected useful lives as follows:

Freehold buildings, other than shops – 40 to 66 years
Computer equipment – 3 to 8 years
Motor cars – 4 or 5 years
Other motor vehicles – 3 to 10 years
Fixtures and plant – 5 to 20 years
Shop leasehold properties – Remaining period of lease when less than 50 years
Other leasehold properties – Remaining period of lease

Investment properties are revalued annually and included in the balance sheet at their open market value. To qualify as an investment property over 50% of rental income must derive from non-group tenants.
Profits and losses arising from the disposal of

properties which have previously been revalued are calculated by reference to their carrying value. Intangible assets acquired are amortised over estimated useful lives of up to a maximum of 20 years. Similar assets created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred. The carrying value of intangible assets is reviewed annually and any permanent diminution in value charged to the profit and loss account.

Turnover
Turnover comprises sales to external customers (excluding VAT and other sales taxes) and rental income.

Stocks
Stocks are valued at the lower of cost and net realisable value. Cost comprises purchase cost of goods, direct labour and those overheads related to manufacture and distribution based on normal activity levels.

Research and development
Expenditure, other than on buildings and plant, is charged against profit in the year in which it is incurred.

Pension funding
The company and its UK subsidiaries operate pension schemes under which contributions by employees and by the companies are held in trust funds separated from the companies' finances. Actuarial valuations of the schemes are conducted at three year intervals and include a review of contributions.
The cost of providing pensions is spread over the employees' working lives with the companies. The cost charged to the profit and loss account in any year may not always equal the employer contributions to the pension schemes.

Leases
The rental costs of properties and other assets acquired under operating leases are charged to the profit and loss account on a straight line basis. Benefits received as an incentive to sign a lease, whatever form they may take, are credited to the profit and loss account on a straight line basis over the lease term or, if shorter than the full lease term, over the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate.
The cost of assets held under finance leases is included under tangible fixed assets and depreciation is provided in accordance with the policy for the class of asset concerned. The corresponding obligations under these leases are shown as creditors. The finance charge element of rentals is charged to the profit and loss account on a straight line basis.

Deferred taxation
A deferred taxation provision is made only where the effects of timing differences between profits as stated in the financial statements and as computed for tax purposes are likely to reverse in the foreseeable future. Advance corporation tax is carried forward to the extent it is expected to be recovered.
No provision is made for any potential liability to corporation tax on capital gains arising on disposals of assets where the liability is expected to be deferred indefinitely.
No provision is made for taxation liabilities which would arise on the distribution of profits retained by overseas subsidiaries and associates as there is no present intention to remit the major part of these profits.

Exceptional items
Exceptional items are those which fall within the ordinary activities of the group and which need to be disclosed by virtue of their size or incidence. Such items are included within operating profit unless they represent profits or losses on the sale or termination of an operation, costs of a fundamental reorganisation or restructuring having a material effect on the nature and focus of the group's operations, profits or losses on the disposal of fixed assets (other than marginal adjustments to depreciation previously charged), or provisions in respect of such items. In these cases, separate disclosure is provided on the face of the profit and loss account after operating profit.

1 Segmental information

Comparative figures have been restated to reflect the changes in accounting policy and in presentation explained in note 2.

a Turnover by business segment	Total 1995 £m	Inter-segment 1995 £m	External 1995 £m	Total 1994 £m	Inter-segment 1994 £m	External 1994 £m
Continuing operations						
Boots The Chemists	**2,943.8**	**.4**	**2,943.4**	2,808.0	–	2,808.0
Halfords	**377.9**	**.8**	**377.1**	357.0	.9	356.1
Boots Opticians	**119.1**	**–**	**119.1**	102.1	–	102.1
Childrens World	**104.8**	**–**	**104.8**	84.1	–	84.1
A. G. Stanley	**114.6**	**–**	**114.6**	111.6	–	111.6
Share of Do It All	**185.3**	**–**	**185.3**	194.2	–	194.2
Boots Healthcare International	**203.5**	**17.7**	**185.8**	227.7	20.9	206.8
Boots Contract Manufacturing	**216.0**	**184.2**	**31.8**	208.8	178.3	30.5
Boots Properties (see below)	**98.0**	**80.5**	**17.5**	108.4	78.0	30.4
Sephora	**–**	**–**	**–**	24.5	–	24.5
	4,363.0	**283.6**	**4,079.4**	4,226.4	278.1	3,948.3
Discontinued operation						
Boots Pharmaceuticals	**441.8**	**15.4**	**426.4**	438.1	18.2	419.9
	4,804.8	**299.0**	**4,505.8**	4,664.5	296.3	4,368.2

Analysis of external turnover	Continuing operations 1995 £m	Discontinued operation 1995 £m	Total 1995 £m	Continuing operations 1994 £m	Discontinued operation 1994 £m	Total 1994 £m
Group profit and loss account	**3,894.1**	**414.0**	**4,308.1**	3,754.1	413.0	4,167.1
Share of associated undertakings	**185.3**	**12.4**	**197.7**	194.2	6.9	201.1
	4,079.4	**426.4**	**4,505.8**	3,948.3	419.9	4,368.2

Boots Properties' turnover includes development income of £5.6m (1994 £20.7m).
In July 1994, Boots Healthcare International sold its Farley's business (see note 5). Sephora was sold in July 1993.

b Turnover by geographical segment	Origin 1995 £m	Origin 1994 £m	Destination 1995 £m	Destination 1994 £m
Continuing operations				
UK	**3,970.5**	3,813.0	**3,937.9**	3,783.4
Rest of Europe	**50.1**	71.0	**61.8**	81.6
US	**–**	–	**.4**	.7
Rest of World	**71.7**	71.7	**79.3**	82.6
Inter-segment	**(12.9)**	(7.4)	**–**	–
	4,079.4	3,948.3	**4,079.4**	3,948.3
Discontinued operation				
UK	**88.6**	105.5	**22.9**	26.1
Rest of Europe	**114.6**	112.5	**131.1**	126.9
US	**193.0**	187.5	**200.0**	202.7
Rest of World	**55.7**	46.5	**72.4**	64.2
Inter-segment	**(25.5)**	(32.1)	**–**	–
	426.4	419.9	**426.4**	419.9
	4,505.8	4,368.2	**4,505.8**	4,368.2

c Profit by business segment	Before exceptional items 1995 £m	Exceptional items (note 4) 1995 £m	Total 1995 £m	Before exceptional items 1994 £m	Exceptional items (note 4) 1994 £m	Total 1994 £m
Continuing operations						
Boots The Chemists	**349.7**	–	**349.7**	323.9	–	323.9
Halfords	**20.5**	–	**20.5**	14.5	–	14.5
Boots Opticians	**8.3**	**2.8**	**11.1**	6.7	–	6.7
Childrens World	**.5**	–	**.5**	(1.6)	–	(1.6)
A. G. Stanley	**(8.5)**	–	**(8.5)**	(1.2)	–	(1.2)
Share of Do It All	**(6.3)**	–	**(6.3)**	(10.6)	(36.6)	(47.2)
Boots Healthcare International	**9.8**	–	**9.8**	21.3	–	21.3
Boots Contract Manufacturing	**17.8**	–	**17.8**	16.2	–	16.2
Boots Properties (see below)	**66.8**	–	**66.8**	67.1	–	67.1
Sephora	–	–	–	.2	–	.2
Group costs	**(24.8)**	–	**(24.8)**	(28.1)	(2.2)	(30.3)
	433.8	**2.8**	**436.6**	408.4	(38.8)	369.6
Discontinued operation						
Boots Pharmaceuticals	**86.4**	–	**86.4**	79.5	(35.0)	44.5
Operating profit	**520.2**	**2.8**	**523.0**	487.9	(73.8)	414.1
Profit/(loss) on disposal of fixed assets	–	**1.2**	**1.2**	–	(4.0)	(4.0)
Profit on disposal of businesses	–	**320.1**	**320.1**	–	9.3	9.3
Net interest	**5.4**	–	**5.4**	(3.1)	–	(3.1)
Profit before tax	**525.6**	**324.1**	**849.7**	484.8	(68.5)	416.3

Boots Properties' result includes development profits of £1.7m (1994 £5.8m).

d Operating profit by geographical origin	Before exceptional items 1995 £m	Exceptional items (note 4) 1995 £m	Total 1995 £m	Before exceptional items 1994 £m	Exceptional items (note 4) 1994 £m	Total 1994 £m
Continuing operations						
UK	**446.2**	**2.8**	**449.0**	421.7	(36.6)	385.1
Rest of Europe	**1.8**	–	**1.8**	2.7	–	2.7
Rest of World	**10.6**	–	**10.6**	12.1	–	12.1
Group costs	**(24.8)**	–	**(24.8)**	(28.1)	(2.2)	(30.3)
	433.8	**2.8**	**436.6**	408.4	(38.8)	369.6
Discontinued operation						
UK	**(27.4)**	–	**(27.4)**	(14.4)	(29.3)	(43.7)
Rest of Europe	**16.7**	–	**16.7**	9.2	–	9.2
US	**88.3**	–	**88.3**	78.9	(5.7)	73.2
Rest of World	**8.8**	–	**8.8**	5.8	–	5.8
	86.4	–	**86.4**	79.5	(35.0)	44.5
	520.2	**2.8**	**523.0**	487.9	(73.8)	414.1

1 Segmental information continued

e Net assets by business segment	1995 £m	1994 £m
Continuing operations		
Boots The Chemists	**492.8**	472.5
Halfords	**85.2**	82.3
Boots Opticians	**37.7**	20.2
Childrens World	**37.9**	32.4
A. G. Stanley	**42.3**	51.0
Share of Do It All	**16.6**	7.9
Boots Healthcare International	**71.6**	93.1
Boots Contract Manufacturing	**122.3**	98.1
Boots Properties	**852.3**	774.6
	1,758.7	1,632.1
Discontinued operation		
Boots Pharmaceuticals	**–**	196.7
Net operating assets	**1,758.7**	1,828.8
Unallocated assets /(liabilities)	**248.2**	(212.9)
	2,006.9	1,615.9

Net operating assets include intangible and tangible fixed assets, fixed asset investments, stocks, third party debtors and creditors and inter-segmental trading balances. Unallocated assets/(liabilities) include all current taxation balances, dividend creditors, net cash and provisions for liabilities and charges.

f Net operating assets by geographical segment	1995 £m	1994 £m
Continuing operations		
UK	**1,716.1**	1,585.0
Rest of Europe	**17.4**	16.8
Rest of World	**25.2**	30.3
	1,758.7	1,632.1
Discontinued operation		
UK	**–**	84.9
Rest of Europe	**–**	21.8
US	**–**	79.4
Rest of World	**–**	10.6
	–	196.7
	1,758.7	1,828.8

2 Changes in accounting policy and in presentation

a Change in accounting policy

The group has implemented the provisions of Urgent Issues Task Force Abstract No. 12 'Lessee accounting for reverse premiums and similar incentives' (UITF12). This requires all benefits received by a lessee as an incentive to sign a lease, whatever form they may take, to be credited to the profit and loss account on a straight line basis over the lease term or, if shorter than the full lease term, over the period to the review date on which the rent is first adjusted to the prevailing market rate. Previously, cash incentives were either credited directly to the profit and loss account or to tangible fixed assets and released to the profit and loss account through a reduction in the depreciation charge, depending on the size and nature of the incentive received. The benefits of rent free periods were taken as they arose.

All benefits received since 1st April 1988 have been restated in accordance with UITF12 and comparative figures have been restated accordingly. The impact on the results for the year to 31st March 1994 is shown below.

The effect on the balance sheet at 31st March 1994 is to increase tangible fixed assets by £10.7m, debtors by £.4m and creditors by £11.1m with no net movement on reserves.

b Changes in presentation

(i) OTC transfers – during the year the responsibility for managing a number of over-the-counter (OTC) healthcare products and overseas subsidiaries, having substantial sales in OTC healthcare markets, was transferred from Boots Pharmaceuticals to Boots Healthcare International. These products and subsidiaries were not part of the pharmaceuticals business sold to BASF. Comparatives have been restated so that the results of Boots Healthcare International are presented on a basis consistent with its ongoing activities.

(ii) Associated undertakings – the group's share of profit before interest and its share of interest are now shown separately within operating profit and net interest respectively. Previously, the group's share of profit before taxation was shown as one figure within operating profit. Comparatives have been restated accordingly.

c Restatement of comparatives

The comparative results for the year ended 31st March 1994 have been restated in respect of the above as follows:

- Turnover – Boots Healthcare International's external turnover has been increased by £72.4m, from £134.4m to £206.8m, as a result of the OTC transfers. Boots Pharmaceuticals' external turnover has been reduced by the same amount from £492.3m to £419.9m.

• Profit	As previously reported £m	UITF 12 £m	OTC transfers £m	Do It All £m	As restated £m
Boots The Chemists	322.9	1.0	–	–	323.9
Halfords	14.7	(.2)	–	–	14.5
A. G. Stanley	(.8)	(.4)	–	–	(1.2)
Share of Do It All	(12.2)	–	–	1.6	(10.6)
Boots Healthcare International	6.6	–	14.7	–	21.3
Boots Pharmaceuticals	94.2	–	(14.7)	–	79.5
Other group businesses	60.5	–	–	–	60.5
Operating profit before exceptional items	485.9	.4	–	1.6	487.9
Exceptional items	(68.5)	–	–	–	(68.5)
Net Interest	(1.5)	–	–	(1.6)	(3.1)
Profit before taxation	415.9	.4	–	–	416.3

3 Operating Profit

	Continuing operations 1995 £m	Discontinued operation 1995 £m	Total 1995 £m	Continuing operations 1994 £m	Discontinued operation 1994 £m	Total 1994 £m
Turnover	**3,894.1**	**414.0**	**4,308.1**	3,754.1	413.0	4,167.1
Cost of sales	**(2,138.8)**	**(116.6)**	**(2,255.4)**	(2,090.2)	(168.2)	(2,258.4)
Gross profit	**1,755.3**	**297.4**	**2,052.7**	1,663.9	244.8	1,908.7
Selling, distribution and store costs	**(1,108.8)**	**(103.8)**	**(1,212.6)**	(1,057.8)	(118.5)	(1,176.3)
Research and development costs	**(11.8)**	**(55.6)**	**(67.4)**	(11.3)	(56.3)	(67.6)
Administrative expenses	**(194.3)**	**(55.4)**	**(249.7)**	(180.3)	(47.9)	(228.2)
Licence income	**2.5**	**3.2**	**5.7**	2.3	24.5	26.8
Operating loss of associated undertakings	**(6.3)**	**.6**	**(5.7)**	(47.2)	(2.1)	(49.3)
Operating profit	**436.6**	**86.4**	**523.0**	369.6	44.5	414.1
Exceptional credits/(charges) included above:						
Cost of sales	**2.8**	**–**	**2.8**	(2.2)	(35.0)	(37.2)
Operating loss of associated undertakings	**–**	**–**	**–**	(36.6)	–	(36.6)
	2.8	**–**	**2.8**	(38.8)	(35.0)	(73.8)
Gross profit before exceptional items	**1,752.5**	**297.4**	**2,049.9**	1,666.1	279.8	1,945.9
Operating profit before exceptional items	**433.8**	**86.4**	**520.2**	408.4	79.5	487.9
Loss before tax of associated undertakings	**(8.0)**	**.6**	**(7.4)**	(48.8)	(2.1)	(50.9)
Total operating profit is after charging:						
Operating lease rentals						
– Property rents			**145.9**			135.4
– Computer and plant hire			**7.4**			8.2
Depreciation of tangible fixed assets			**110.2**			124.1
Amortisation of intangible fixed assets			**2.8**			3.1
Auditors' remuneration			**1.1**			1.0

The group auditors also received £.2m (1994 £.2m) in respect of non-audit services in the UK and £.8m (1994 £.3m) from overseas subsidiaries.

4 Exceptional items

	Continuing operations 1995 £m	Discontinued operation 1995 £m	Total 1995 £m	Continuing operations 1994 £m	Discontinued operation 1994 £m	Total 1994 £m
Credited/(charged) in arriving at operating profit:						
Do It All restructuring costs	**–**	**–**	**–**	(36.6)	–	(36.6)
Privity of contract costs	**–**	**–**	**–**	(2.2)	–	(2.2)
Manoplax write-off costs	**–**	**–**	**–**	–	(35.0)	(35.0)
VAT recoverable (see below)	**2.8**	**–**	**2.8**	–	–	–
	2.8	**–**	**2.8**	(38.8)	(35.0)	(73.8)
Profit/(loss) on disposal of fixed assets						
Profit on disposal of properties	**2.3**	**–**	**2.3**	2.8	3.9	6.7
Provision for loss on disposal of intangible assets	**(1.1)**	**–**	**(1.1)**	–	(10.7)	(10.7)
	1.2	**–**	**1.2**	2.8	(6.8)	(4.0)
Profit on disposal of businesses (note 5)	**47.0**	**273.1**	**320.1**	9.3	–	9.3
	51.0	**273.1**	**324.1**	(26.7)	(41.8)	(68.5)
Attributable tax (charge)/credit (note 7)	**(1.2)**	**(23.6)**	**(24.8)**	7.1	6.9	14.0
	49.8	**249.5**	**299.3**	(19.6)	(34.9)	(54.5)

VAT recoverable relates to the prior year impact arising from the judgement of the High Court in respect of the exemption from VAT of the services of dispensing opticians.

5 Disposal of businesses	Boots Pharmaceuticals 1995 £m	Farleys 1995 £m	Total 1995 £m	Total 1994 £m
Intangible fixed assets	**(13.2)**	**(.2)**	**(13.4)**	–
Tangible fixed assets	**(89.8)**	**(11.2)**	**(101.0)**	(21.8)
Investment in associated undertaking	**(23.0)**	**–**	**(23.0)**	–
Stocks	**(48.4)**	**(5.9)**	**(54.3)**	(13.0)
Debtors	**(57.1)**	**–**	**(57.1)**	(3.2)
Cash and cash equivalents	**(172.6)**	**–**	**(172.6)**	(7.3)
Investments	**(81.8)**	**–**	**(81.8)**	–
Borrowings and finance leases	**3.8**	**–**	**3.8**	–
Other creditors and provisions	**78.1**	**–**	**78.1**	11.1
Minority interests	**10.5**	**–**	**10.5**	–
Net assets disposed of	**(393.5)**	**(17.3)**	**(410.8)**	(34.2)
Goodwill written back	**(361.9)**	**(21.5)**	**(383.4)**	(.4)
Costs of disposals	**(12.6)**	**(5.2)**	**(17.8)**	(2.7)
Disposal provisions	**(23.1)**	**–**	**(23.1)**	–
Additional depreciation	**(6.3)**	**(.4)**	**(6.7)**	–
Consideration	**1,070.5**	**91.4**	**1,161.9**	46.6
Profit on disposals	**273.1**	**47.0**	**320.1**	9.3
Net cash inflow:				
Cash consideration received	**982.2**	**91.4**	**1,073.6**	46.6
Cash and cash equivalents sold	**(172.6)**	**–**	**(172.6)**	(7.3)
Costs of disposals paid	**(2.0)**	**(2.2)**	**(4.2)**	(2.7)
	807.6	**89.2**	**896.8**	36.6

Boots Pharmaceuticals

The principal disposal during the year was the sale of Boots Pharmaceuticals to BASF on 31st March 1995 for an estimated consideration of £1,070.5m. Initial consideration of £982.2m was received on that date and a further amount of £88.3m is expected to be received, following agreement of the net asset position.

Under the provisions of Financial Reporting Standard 3, Boots Pharmaceuticals is a discontinued operation and its results for both the current year and prior years have been classified accordingly.

The contribution to the cash flow statement during the year was as follows:	£m
Net cash inflow from operating activities	107.3
Returns on investment and servicing of finance	1.5
Taxation	(15.8)
Investing activities	71.6
Financing	(1.0)

Other disposals

On 22nd July 1994, Boots Healthcare International disposed of its Farley's infant milk and food business to H.J. Heinz Company for £91.4m.

Disposals in the comparative period relate to the sale of the group's French retail subsidiary, Sephora, and the Boots Print packaging business.

None of these disposals are disclosed as discontinued operations.

6 Net interest

	1995 £m	1995 £m	1994 £m	1994 £m
Interest receivable and similar income:				
Listed investments	**.1**		1.1	
Short term deposits	**32.1**		27.7	
Loans to associated undertakings	**.5**		.7	
		32.7		29.5
Increase in value of investment in 10.125% bond 2017		**11.4**		7.8
Interest payable and similar charges:				
Repayable within five years:				
– Bank and other loans	**(19.7)**		(17.9)	
– Interest capitalised	**1.2**		.5	
– Finance lease charges	**(.2)**		(.2)	
Loans repayable after five years:				
– Loans and debentures	**(25.4)**		(25.3)	
– Income from interest rate swaps	**7.1**		4.1	
		(37.0)		(38.8)
Share of interest of associated undertakings (note 2)		**(1.7)**		(1.6)
		5.4		(3.1)

7 Tax on profit on ordinary activities

	1995 £m	1994 £m
The charge on the profit for the year consists of:		
UK corporation tax at 33% (1994 33%)	**148.2**	119.5
Deferred taxation	**.2**	(.6)
Relief for overseas taxation	**(5.2)**	(7.1)
Share of taxation of associated undertakings	**(1.8)**	(10.3)
Total UK taxation	**141.4**	101.5
Overseas taxation	**39.7**	20.9
Overseas deferred taxation	**4.7**	3.9
Total	**185.8**	126.3
Tax (charge)/credit included above attributable to exceptional items:		
Do It All restructuring costs	**–**	6.4
Privity of contract costs	**–**	.7
Manoplax write-off costs	**–**	5.5
VAT recoverable	**(.9)**	–
Profit/(loss) on disposal of fixed assets	**.4**	1.4
Profit on disposal of businesses	**(24.3)**	–
	(24.8)	14.0

8 Profit for the financial year attributable to shareholders

Of the profit attributable to shareholders £966.4m (1994 £353.6m) is dealt with in the financial statements of the parent company.

9 Dividends

		1995 £m	1994 £m
Interim paid of **5.35p** per share	(1994 4.9p)	**55.8**	50.9
Final proposed of **11.65p** per share	(1994 10.1p)	**110.6**	105.1
17.0p	15.0p	**166.4**	156.0

10 Earnings per share

	1995	1994
Earnings per share before exceptional items	**36.0p**	33.0p
Effect of exceptional items	**29.7p**	(5.3)p
Earnings per share	**65.7p**	27.7p

The calculation of earnings per share is based on 1,002.7m (1994 1,039.0m) average ordinary shares in issue, weighted on a time basis, and profit for the financial year attributable to shareholders of £659.2m (1994 £288.3m).

The fully diluted earnings per share would not be materially different.

Earnings per share before exceptional items is also disclosed to reflect the underlying performance of the group. This calculation is based on profit for the financial year before exceptional items and related tax of £360.7m (1994 £342.8m).

11 Intangible fixed assets

Patents, trademarks and other product rights acquired

	Group £m	Parent £m
Cost		
At 1st April 1994	77.4	18.8
Disposals	(12.6)	–
Disposals of businesses (note 5)	(25.5)	(10.5)
Currency adjustments	(1.1)	–
At 31st March 1995	**38.2**	**8.3**
Amortisation		
At 1st April 1994	26.0	7.4
Amortisation for year	2.8	1.9
Exceptional provision	1.1	–
Disposals	(7.6)	–
Disposals of businesses (note 5)	(12.1)	(4.0)
Currency adjustments	(.7)	–
At 31st March 1995	**9.5**	**5.3**
Net book value at 1st April 1994	51.4	11.4
Net book value at 31st March 1995	**28.7**	**3.0**

12 Tangible fixed assets

Group	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation					
At 1st April 1994					
As previously reported	870.5	312.9	898.6	36.2	2,118.2
Prior year adjustment (note 2)	–	–	11.7	–	11.7
As restated	870.5	312.9	910.3	36.2	2,129.9
Currency adjustments	(2.7)	(1.6)	(.4)	(.2)	(4.9)
Additions	58.0	41.1	107.2	43.5	249.8
Disposals	(9.0)	(16.2)	(32.6)	–	(57.8)
Disposal of businesses (note 5)	(55.1)	(118.1)	(62.1)	(4.7)	(240.0)
Reclassifications	3.6	(16.1)	40.7	(28.2)	–
Property development transfers	9.3	–	–	.4	9.7
Revaluation surplus	6.6	–	–	–	6.6
At 31st March 1995	**881.2**	**202.0**	**963.1**	**47.0**	**2,093.3**
Gross book value of depreciable assets	161.7	202.0	963.1	20.8	1,347.6
Depreciation					
At 1st April 1994					
As previously reported	46.0	165.1	443.9	–	655.0
Prior year adjustment (note 2)	–	–	1.0	–	1.0
As restated	46.0	165.1	444.9	–	656.0
Currency adjustments	(.6)	(1.0)	(.2)	–	(1.8)
Depreciation for year	8.2	28.2	80.5	–	116.9
Disposals	(.2)	(11.4)	(25.2)	–	(36.8)
Disposal of businesses (note 5)	(18.2)	(81.1)	(39.7)	–	(139.0)
Reclassifications	–	(9.3)	9.3	–	–
At 31st March 1995	**35.2**	**90.5**	**469.6**	**–**	**595.3**
Net book value at 1st April 1994 as restated	824.5	147.8	465.4	36.2	1,473.9
Net book value at 31st March 1995	**846.0**	**111.5**	**493.5**	**47.0**	**1,498.0**

The net book value of tangible fixed assets includes £1.1m (1994 £3.2m) in respect of assets held under finance leases. The depreciation charge for the year was £.8m (1994 £1.7m). The net book value of finance leases disposed of as part of the disposal of the pharmaceuticals business was £1.7m.
Land and buildings include capitalised interest of £1.4m (1994 £.1m).

Land and buildings include investment properties as follows:	£m
Valuation	
At 1st April 1994	93.3
Additions	41.4
Reclassification	(1.0)
Revaluation surplus	6.6
At 31st March 1995	**140.3**

Investment properties were valued on the basis of open market value at 31st March 1995 by the group's own professionally qualified staff.
In accordance with SSAP19, no depreciation is provided in respect of investment properties. This represents a departure from the Companies Act 1985 requirements to provide for the systematic annual depreciation of fixed assets. However, these properties are held for investment, rather than consumption, and the directors consider that the adoption of the above policy is necessary to give a true and fair view.

Parent	Land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Payments on account and assets in course of construction £m	Total £m
Cost or valuation					
At 1st April 1994	51.8	210.2	175.4	9.7	447.1
Additions	1.3	23.7	17.8	8.7	51.5
Disposals	–	(9.3)	(10.1)	–	(19.4)
Disposal of businesses	(15.6)	(77.4)	(39.2)	(1.6)	(133.8)
Reclassifications and transfers	–	2.0	5.4	(5.6)	1.8
At 31st March 1995	**37.5**	**149.2**	**149.3**	**11.2**	**347.2**
Gross book value of depreciable assets	37.3	149.2	149.3	11.2	347.0
Depreciation					
At 1st April 1994	19.6	114.3	98.4	–	232.3
Depreciation for year	4.5	18.0	19.4	–	41.9
Disposals	–	(6.4)	(9.2)	–	(15.6)
Disposal of businesses	(5.4)	(56.5)	(26.2)	–	(88.1)
Transfers	–	.3	.3	–	.6
At 31st March 1995	**18.7**	**69.7**	**82.7**	**–**	**171.1**
Net book value at 1st April 1994	32.2	95.9	77.0	9.7	214.8
Net book value at 31st March 1995	**18.8**	**79.5**	**66.6**	**11.2**	**176.1**

Notes	Group 1995 £m	Group 1994 £m	Parent 1995 £m	Parent 1994 £m
Net book value of land and buildings comprises:				
Freehold	**689.1**	677.1	**18.8**	32.2
Long leasehold (more than 50 years unexpired)	**129.1**	123.0	**–**	–
Short leasehold	**27.8**	24.4	**–**	–
	846.0	824.5	**18.8**	32.2
Analysis of cost or valuation:				
Cost	**1,293.9**	1,369.6	**341.3**	440.7
Valuation of properties – Directors 1993	**650.8**	658.2	**–**	–
– Independent 1989	**.7**	.7	**–**	–
– Independent 1965	**.4**	.4	**–**	–
– Independent 1958	**7.2**	7.7	**5.9**	6.4
Investment properties	**140.3**	93.3	**–**	–
	2,093.3	2,129.9	**347.2**	447.1
Net book value of tangible fixed assets under the historical cost convention	**1,188.3**	1,170.8	**175.6**	214.1

The last valuation of the group's UK freehold and long leasehold properties, excluding factories and specialised buildings, was carried out at 31st March 1993 by the directors in conjunction with the group's own professionally qualified staff. The valuation was on an open market basis for existing use.

13 Fixed asset investments

Group	Equity £m	Loans £m	Total £m
Investment in associated undertakings:			
At 1st April 1994	37.1	20.0	57.1
Additions	–	9.0	9.0
Loss for the year	(5.6)	–	(5.6)
Disposal of businesses (note 5)	(23.0)	–	(23.0)
Capitalisation of loans	15.0	(15.0)	–
Disposals and repayments	(4.2)	–	(4.2)
Currency adjustments	(2.7)	–	(2.7)
At 31st March 1995	**16.6**	**14.0**	**30.6**

Equity includes £61.3m (1994 £63.0m) in respect of the group's share of post acquisition losses of its associated undertakings.

Parent	Shares in subsidiary undertakings £m	Loans to subsidiary undertakings £m	Shares in associated undertakings £m	Loans to associated undertaking £m	Total £m
Cost					
At 1st April 1994	577.6	171.1	117.3	20.0	886.0
Additions	614.8	2.6	–	21.8	639.2
Capitalisation of loans	–	–	15.0	(15.0)	–
Disposals and repayments	(225.4)	(135.6)	–	(12.8)	(373.8)
Currency adjustments	–	12.0	–	–	12.0
At 31st March 1995	**967.0**	**50.1**	**132.3**	**14.0**	**1,163.4**
Provision					
At 1st April 1994	178.8	7.7	62.0	–	248.5
Movement	(66.7)	(5.3)	9.8	–	(62.2)
At 31st March 1995	**112.1**	**2.4**	**71.8**	**–**	**186.3**
Net book value at 1st April 1994	398.8	163.4	55.3	20.0	637.5
Net book value at 31st March 1995	**854.9**	**47.7**	**60.5**	**14.0**	**977.1**

The principal subsidiary and associated undertakings are listed on page 71.

14 Stocks

	Group 1995 £m	Group 1994 £m	Parent 1995 £m	Parent 1994 £m
Manufacturing:				
Raw materials	**18.4**	29.4	**15.3**	14.0
Work in progress	**12.3**	19.1	**10.2**	13.4
Finished goods	**24.9**	46.1	**14.6**	19.1
	55.6	94.6	**40.1**	46.5
Retailing	**425.1**	416.0	**122.0**	117.6
Property development	**9.1**	11.0	**–**	–
	489.8	521.6	**162.1**	164.1

Property development stock includes capitalised interest net of taxation of £.1m (1994 £.3m).

15 Debtors

	Group 1995 £m	Group 1994 £m	Parent 1995 £m	Parent 1994 £m
Falling due within one year:				
Trade debtors	**156.4**	199.2	**18.1**	21.8
Owed by subsidiary undertakings	**–**	–	**318.0**	261.8
Owed by associated undertakings	**.1**	.2	**.1**	.2
Other debtors	**111.9**	22.3	**102.7**	13.0
Prepayments and accrued income	**50.3**	55.6	**5.8**	16.0
Corporation tax	**.8**	85.0	**–**	–
	319.5	362.3	**444.7**	312.8
Falling due after more than one year:				
Owed by subsidiary undertakings	**–**	–	**138.0**	189.4
Other debtors	**4.7**	4.2	**22.9**	8.1
	4.7	4.2	**160.9**	197.5
	324.2	366.5	**605.6**	510.3

16 Current asset investments

	Group 1995 £m	Group 1994 £m	Parent 1995 £m	Parent 1994 £m
Listed investments	**.6**	.6	**.5**	.5
Short term deposits	**1,003.7**	479.8	**975.0**	239.8
Certificates of tax deposit	**11.3**	11.5	**11.3**	11.5
	1,015.6	491.9	**986.8**	251.8
Market value of investments listed on The London Stock Exchange	**1.8**	.6	**1.7**	.5

17 Creditors: Amounts falling due within one year

	Group 1995 £m	Group 1994 £m	Parent 1995 £m	Parent 1994 £m
Borrowings (note 19)	**288.8**	166.5	**280.6**	23.2
Trade creditors	**264.8**	256.5	**202.3**	184.3
Bills of exchange	**.6**	1.7	**.3**	.2
Due to subsidiary undertakings	**–**	–	**44.8**	52.8
Corporation tax	**122.2**	58.2	**25.4**	3.8
Advance corporation tax	**40.9**	157.9	**3.0**	–
Taxation and social security (including VAT and other sales taxes)	**55.0**	61.9	**12.0**	15.5
Other creditors	**102.9**	99.1	**46.7**	40.5
Accruals and deferred income	**96.5**	106.1	**37.5**	33.9
Proposed dividend	**110.6**	105.1	**110.6**	105.1
	1,082.3	1,013.0	**763.2**	459.3

18 Creditors: Amounts falling due after more than one year

	Group 1995 £m	Group 1994 £m	Parent 1995 £m	Parent 1994 £m
Borrowings (note 19)	**224.2**	267.9	**362.3**	368.2
Due to subsidiary undertakings	**–**	–	**354.3**	158.5
Other creditors	**2.5**	3.8	**.9**	1.4
Accruals and deferred income	**38.0**	44.2	**20.8**	23.5
	264.7	315.9	**738.3**	551.6

19 Borrowings

	Group 1995 £m	Group 1994 £m	Parent 1995 £m	Parent 1994 £m
Bank loans and overdrafts	**224.3**	132.3	**228.9**	–
Variable rate notes	**21.9**	23.2	**21.9**	23.2
Bank acceptances	**19.9**	–	**19.9**	–
Commercial paper	**9.9**	–	**9.9**	–
US$175m 9% bond 1997	**108.0**	118.2	**108.0**	118.2
10.125% bond 2017	**123.5**	134.9	**250.0**	250.0
Net liability under currency swaps	**4.3**	22.8	**4.3**	–
Obligations under finance leases	**1.2**	3.0	**–**	–
	513.0	434.4	**642.9**	391.4
Amounts included above repayable by instalments	**124.7**	137.9	**–**	–
Repayments fall due as follows:				
Within one year:				
– Bank loans, overdrafts and acceptances	**244.2**	131.0	**248.8**	–
– Other borrowings	**44.6**	35.5	**31.8**	23.2
	288.8	166.5	**280.6**	23.2
After more than one year:				
– Within one to two years	**122.4**	14.6	**108.0**	–
– Within two to five years	**54.2**	168.8	**4.3**	118.2
– After five years – by instalments	**47.6**	82.3	**–**	–
– not by instalments	**–**	2.2	**250.0**	250.0
	224.2	267.9	**362.3**	368.2
	513.0	434.4	**642.9**	391.4

All borrowings are unsecured. At 31st March 1994, overdrafts of certain subsidiaries amounting to £3.1m were secured on the assets of those subsidiaries.

Variable rate notes are repayable at the option of the holders.

The group has a number of US dollar currency swaps, which are equivalent to borrowing US dollars and depositing sterling for a fixed period. Following the disposal of Boots Pharmaceuticals, the group put in place a series of matching swaps, which are equivalent to depositing US dollars and borrowing sterling. The net liability shown above represents the effect of translating the above transactions into sterling at the year end exchange rate.

The group has a number of interest rate swap agreements which convert fixed rate liabilities to floating rate. The fixed rate commitments effectively converted are the US$175m bond, £125m of the 10.125% bond and £100m of operating leases.

A subsidiary, Boots Investments Limited, owns all the £250m 10.125% bond 2017 of The Boots Company PLC, together with all the outstanding interest coupons other than those maturing on or before 24th June 2002. The group balance sheet consolidates the £250m borrowing by the parent company with the present value of the investment held by the subsidiary.

20 Provisions for liabilities and charges

Group

	Deferred taxation £m	Disposal provisions £m	Other provisions £m	Total £m
At 1st April 1994	16.6	–	12.5	29.1
Disposal of businesses	(6.5)	–	(1.2)	(7.7)
Utilised	–	–	(.7)	(.7)
Profit and loss account	4.9	23.1	–	28.0
Currency adjustments	(.6)	–	(.5)	(1.1)
At 31st March 1995	**14.4**	**23.1**	**10.1**	**47.6**

Disposal provisions arose on the sale of Boots Pharmaceuticals (see note 5).
In addition, there remains considerable uncertainty regarding the extent of possible environmental liabilities in respect of former involvement in an agro-chemical joint venture in the US. Of the £10m provision set up in 1992, £8.1m included in other provisions remains unutilised at 31st March 1995 and, in the opinion of the directors, is still required to cover potential liabilities.

Parent

	Deferred taxation £m	Disposal provisions £m	Total £m
At 1st April 1994	2.9	–	2.9
Profit and loss account	(1.6)	23.1	21.5
At 31st March 1995	**1.3**	**23.1**	**24.4**

	Group 1995 £m	Group 1994 £m	Parent 1995 £m	Parent 1994 £m
Analysis of deferred taxation provision:				
Accelerated capital allowances	**11.6**	17.6	**1.5**	2.2
Other items	**2.8**	(1.0)	**(.2)**	.7
	14.4	16.6	**1.3**	2.9
Unprovided deferred taxation:				
Accelerated capital allowances	**56.9**	67.0	**20.1**	27.5
Other items	**(1.4)**	(1.4)	**–**	–
	55.5	65.6	**20.1**	27.5

It is not anticipated that any significant taxation will become payable on the revaluation surplus, as taxation on gains on properties used for the purposes of the group's trade is expected to be deferred indefinitely.

21 Capital and reserves

Group

	Called up share capital £m	Share premium account £m	Revaluation reserve £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1st April 1994	260.2	204.6	304.9	–	838.9	1,608.6
Profit retained	–	–	.2	–	492.8	493.0
Movement in goodwill (see below)	–	–	–	–	413.1	413.1
Revaluation surplus	–	–	6.6	–	–	6.6
Revaluation surplus realised on disposals	–	–	(1.0)	–	1.0	–
Issue of shares	1.0	14.7	–	–	–	15.7
Share issue expenses	–	(.3)	–	–	–	(.3)
Repurchase of shares (note 22)	(24.0)	–	–	24.0	(511.3)	(511.3)
Currency adjustments on:						
– Goodwill (see below)	–	–	–	–	(33.6)	(33.6)
– Assets and results	–	–	–	–	(23.7)	(23.7)
– Borrowings and currency swaps	–	–	–	–	38.8	38.8
At 31st March 1995	**237.2**	**219.0**	**310.7**	**24.0**	**1,216.0**	**2,006.9**

The revaluation reserve includes £26.4m (1994 £19.8m) relating to investment properties.

Goodwill set off against reserves in respect of businesses still within the group is as follows:	Cost £m	Currency adjustment £m	Total £m
At 1st April 1994	1,312.6	(1.3)	1,311.3
Goodwill purchased	3.9	–	3.9
Goodwill released on disposal of businesses (note 5)	(418.3)	34.9	(383.4)
Currency adjustments	–	(33.6)	(33.6)
At 31st March 1995	898.2	–	898.2

Parent	Called up share capital £m	Share premium account £m	Capital redemption reserve £m	Profit and loss account £m	Total £m
At 1st April 1994	260.2	204.6	–	616.0	1,080.8
Profit retained	–	–	–	800.0	800.0
Issue of shares	1.0	14.7	–	–	15.7
Share issue expenses	–	(.3)	–	–	(.3)
Repurchase of shares (note 22)	(24.0)	–	24.0	(511.3)	(511.3)
At 31st March 1995	**237.2**	**219.0**	**24.0**	**904.7**	**1,384.9**

22 Share capital

	Number of shares 1995 million	Number of shares 1994 million	1995 £m	1994 £m
Ordinary shares of 25p each:				
Authorised	1,200	1,200	**300.0**	300.0
Allotted, called up and fully paid	949	1,041	**237.2**	260.2

Shares allotted/(repurchased) during the year	Number million	Nominal value £m	Consideration £m
Scrip dividends	1.8	.4	9.5
Option schemes	2.4	.6	6.2
Share repurchase	(96.1)	(24.0)	(507.8)
	(91.9)	(23.0)	(492.1)

During the year approximately 22% of shareholders owning 6% of shares elected to take all or part of their dividends in shares.

On 15th November 1994, the company purchased, and subsequently cancelled, 96.1 million ordinary shares at an average price of 528 pence per share. The total cost of the purchase including expenses was £511.3m, which has been charged against distributable reserves.

Under a savings-related scheme, options may be granted enabling employees with over one year's service (or less in the case of senior staff) to subscribe for ordinary shares at approximately 80% of market price. At 31st March 1995, options exercisable from 1995 to 2002 at between 193p and 421p per share were outstanding in respect of 11,846,645 shares.

Under an executive share option scheme, certain senior executives were granted options to subscribe for ordinary shares after a period of three years from date of grant. At 31st March 1995, such options were outstanding as follows:

Number of shares				Exercisable	
Executive directors	Other senior executives	Total	Option price	from 31st May 1995 or later where shown	to
–	27,500	27,500	307p	–	June 1997
–	157,500	157,500	257p	–	December 1999
50,000	242,500	292,500	286p	–	July 2000
–	82,000	82,000	339p	–	December 2000
437,500	935,000	1,372,500	399p	–	July 2001
–	103,500	103,500	420p	–	December 2001
170,000	430,000	600,000	437p	August 1995	August 2002
–	17,500	17,500	530p	December 1995	December 2002
237,500	697,500	935,000	438p	June 1996	June 2003
–	27,500	27,500	523p	November 1996	November 2003
95,000	667,500	762,500	531p	June 1997	June 2004
–	100,000	100,000	519p	November 1997	November 2004
62,500	200,000	262,500	482p	February 1998	February 2005

Following the introduction of the new long term bonus scheme referred to on pages 68 and 69, executive directors have agreed to exercise all their existing executive share options by 31st March 1998.

On any date, the aggregate nominal amount of new shares over which options may be granted, when added to the nominal amount of new shares issued and remaining issuable in respect of options granted in the previous ten years under all of the company's employee share schemes, may not exceed 10% of the nominal amount of shares in issue immediately before that date.

23 Notes to the group cash flow statement

a Reconciliation of operating profit to net inflow from operating activities

	1995 £m	1994 £m
Operating profit	**523.0**	414.1
Operating loss of associated undertakings	**5.7**	49.3
Depreciation and amortisation	**113.0**	127.2
Loss on disposal of tangible fixed assets, excluding properties	**6.2**	7.0
(Increase)/decrease in stocks	**(28.4)**	20.0
(Increase)/decrease in debtors	**(10.7)**	3.6
Increase in creditors	**34.2**	16.8
Provisions utilised	**(.7)**	(2.1)
Net cash inflow from operating activities	**642.3**	635.9

b Analysis of cash, cash equivalents, investments and borrowings

	Cash and cash equivalents 1995 £m	Investments and borrowings 1995 £m	Cash and cash equivalents 1994 £m	Investments and borrowings 1994 £m
Cash at bank and in hand	**14.6**	**–**	11.5	–
Current asset investments (note 16):				
– Listed investments	**–**	**.6**	–	.6
– Short term deposits	**1,002.7**	**1.0**	196.0	283.8
– Certificates of tax deposit	**–**	**11.3**	–	11.5
	1,017.3	**12.9**	207.5	295.9
Borrowings (note 19):				
– Due within one year	**(253.0)**	**(35.8)**	(128.2)	(38.3)
– Due after more than one year	**–**	**(224.2)**	–	(267.9)
	(253.0)	**(260.0)**	(128.2)	(306.2)
	764.3	**(247.1)**	79.3	(10.3)
Net cash		**517.2**		69.0

Cash equivalents are highly liquid deposits which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of advance.

Investments and borrowings have original maturities of more than three months.

c Analysis of movement in net cash/(debt)

	1995 £m	1994 £m
At 1st April 1994	**69.0**	(203.8)
Increase in cash and cash equivalents	**688.5**	92.7
Movement in funds with maturity of more than three months	**(182.0)**	197.1
Investments and borrowings of businesses disposed (note 5)	**(78.0)**	–
Movement in net liability under currency swaps	**18.5**	(22.8)
Increase in value of investment in 10.125% bond 2017	**11.4**	7.8
Currency and other non-cash adjustments	**(10.2)**	(2.0)
At 31st March 1995	**517.2**	69.0

d Analysis of changes in cash and cash equivalents during the year	1995 £m	1994 £m
At 1st April 1994	**79.3**	(14.7)
Net cash flow	**688.5**	92.7
Currency adjustments	**(3.5)**	1.3
At 31st March 1995	**764.3**	79.3

e Analysis of changes in financing during the year	Capital 1995 £m	Borrowings and finance leases 1995 £m	Capital 1994 £m	Borrowings and finance leases 1994 £m
At 1st April 1994	**464.8**	**306.2**	455.5	406.1
Cash inflows/(outflows) from financing	**5.9**	**(3.5)**	5.3	(131.5)
Scrip dividends	**9.5**	**–**	4.0	–
Borrowings of businesses disposed (note 5)	**–**	**(3.8)**	–	–
Movement in net liability under currency swaps	**–**	**(18.5)**	–	22.8
Increase in value of investment in 10.125% bond 2017	**–**	**(11.4)**	–	(7.8)
Currency and other non-cash adjustments	**–**	**(9.0)**	–	16.6
At 31st March 1995	**480.2**	**260.0**	464.8	306.2

Capital comprises called up share capital, capital redemption reserve and share premium account.

f Purchase of businesses	1995 £m	1994 £m
Net assets acquired	**3.9**	9.7
Goodwill purchased	**3.9**	7.1
Consideration	**7.8**	16.8
Net cash outflow:		
Cash consideration paid	**7.8**	16.8
Cash and cash equivalents acquired	**–**	1.2
	7.8	18.0

24 Commitments and contingent liabilities

a Future capital expenditure approved by the directors and not provided for in these financial statements is as follows:

	Group 1995 £m	Group 1994 £m	Parent 1995 £m	Parent 1994 £m
Contracts placed	**69.2**	70.3	**14.9**	17.2
Contracts not placed	**247.8**	177.1	**74.0**	12.3
	317.0	247.4	**88.9**	29.5

b Annual commitments under operating leases at 31st March 1995 are as follows:

	Group Land and buildings £m	Group Other £m	Parent Land and buildings £m	Parent Other £m
Expiring:				
Within one year	**5.1**	**1.2**	**5.4**	–
Over one year and less than five years	**10.9**	**2.1**	**1.0**	–
Over five years	**130.4**	–	**8.7**	–
	146.4	**3.3**	**15.1**	–

c The parent company has guaranteed borrowings of an associated undertaking up to a maximum of £30m (1994 £30m).

d The parent company has given its bankers the right to set off credit balances on its current accounts against amounts owed to the bank on current accounts by its UK subsidiaries. At 31st March 1995, the contingent liability was £nil (1994 £304.7m).

e As part of the strategy on interest rate management, the group has sold to a bank, the right for the bank to pay a fixed rate of interest to the group, in return for a floating rate, in respect of £100m for a period of 10 years. This right is exercisable by the bank in June 1995.

25 Pensions

The group operates pension schemes throughout the world, most of which are final salary (defined benefit) schemes and are fully funded.

The principal UK pension scheme is Boots Pension Scheme, the cost of which is determined by Bacon and Woodrow, consulting actuaries. There was no pension cost for Boots Pension Scheme in the year (1994 nil), reflecting the results of the 1st April 1992 valuation. The zero charge arises as a result of amortisation of the surplus. Surpluses disclosed at the 1989 and 1992 valuations are being recognised over the expected average remaining service life of members at those valuations. The remaining amortisation period for the surplus disclosed at the April 1989 valuation is approximately seven years. The further surplus disclosed at the April 1992 valuation is being recognised over 13 years from that date.

The projected unit method was used both in assessing pension costs for accounting purposes and for funding the scheme. The assumed rate of investment return was 2% per annum above the assumed rate of pay increases, excluding promotional increases, 4% per annum above the assumed rate of pension increases and 4½% per annum above the assumed rate of dividend increases. Members retiring are assumed to be replaced by new entrants so that the average age of membership remains constant. The market value of the scheme's assets was £1,032 million at 1st April 1992. The results of the valuation show that the actuarial value of the assets at 1st April 1992 represented 131% of the actuarial value of the accrued benefits. The accrued benefits include all benefits for pensioners and other former members as well as benefits based on service to the valuation date for active members, allowing for future pay increases. Employer contributions are equal to the pension costs recognised in the group financial statements. In common with other companies, additional pension arrangements are being made for those more recently recruited senior executives whose benefits, relative to long serving staff, are subject to statutory restrictions.

Actuarial valuations as at 1st April 1995 are in the course of preparation.

26 Staff numbers and costs

The average number of persons employed by the group during the year was as follows:	1995	1994
Continuing operations		
Boots The Chemists	**52,056**	51,300
Halfords	**9,062**	8,946
Boots Opticians	**3,004**	2,811
Childrens World	**2,280**	1,969
A. G. Stanley	**2,327**	2,230
Boots Healthcare International	**1,896**	2,180
Boots Contract Manufacturing	**3,304**	3,144
Boots Properties	**74**	61
Sephora	**–**	228
Central	**956**	977
	74,959	73,846
Discontinued operation		
Boots Pharmaceuticals	**5,891**	6,253
Total employees	**80,850**	80,099

Total number of persons employed by the group at 31st March 1995 was 75,322 (1994 79,326).

The aggregate payroll cost was as follows:	£m	£m
Wages and salaries	**783.5**	745.9
Social security costs	**65.6**	67.5
Other pension costs	**5.3**	4.8
	854.4	818.2
Analysed as:		
Continuing operations	**728.2**	695.0
Discontinued operation	**126.2**	123.2
	854.4	818.2

27 Remuneration of directors

Role of the Remuneration Committee

The Board Remuneration Committee, consisting of the chairman, who chairs the committee, and four non-executive directors, is responsible for determining the remuneration, terms and conditions and bonus schemes for the executive directors, having regard to performance.

Review of remuneration

During the past year, the remuneration committee has completed a comprehensive review of remuneration policies for the executive directors and the top 200 executives in the company. As a result of this review:

- remuneration policies for the senior management team are aligned to the board's governing objective which is to maximise the value of the company for the benefit of shareholders in terms of total shareholder return covering share price movement and dividends paid.
- executive bonuses continue as a means of reinforcing these priorities and rewarding executives for their achievement.
- the practice of granting executive share options will cease, since
  - i) share option gains are volatile and may provide executive rewards which are inconsistent with the company's governing objective,
  - ii) overall, share options do not promote share ownership, and
  - iii) the company's long term bonus scheme is regarded as a superior basis for assessing performance and determining executive rewards, especially as it provides for half the reward to be in the form of shares.

Remuneration policies are based on the following foundations:

Pay levels: executive director salaries are positioned at competitive levels based on independent assessment of market practices. Bonus schemes provide an opportunity for executives to be paid above market norms if, and only if, business performance is superior.

Linkage with business strategy: the way that performance is measured for executive directors flows from and is consistent with business strategy and therefore a significant element of an executive director's bonus is tied to generating superior long term returns for shareholders.

27 Remuneration of directors continued

The role of equity: share ownership provides an effective way to align the interests of shareholders and executives. Therefore, half of an executive director's long term bonus will be paid in shares of the company three years after the end of the relevant performance period.

Components of pay for executive directors

The components are base salary, a short term bonus scheme, a long term bonus scheme and benefits. The role of each is summarised below:

Base Salary: salaries of executive directors reflect the scope of their responsibilities and are reviewed annually by the remuneration committee with reference to external comparisons.

Short Term Bonus Scheme: this scheme rewards executive directors for achieving operating efficiencies and profitable growth. During 1994/95, company performance was assessed on sales growth, return on capital and cash flow. In that year, performance exceeded budget in two of the three performance measures and, as a result, an award equal to 19.5% of salary was earned by executive directors.

For the financial year 1995/96, short term bonuses for executive directors will be based on profit after tax and sales growth compared with budget. An executive director's maximum short term bonus opportunity is 35% of salary, payable when company performance significantly exceeds budget.

Long Term Bonus Scheme: this scheme provides a direct link between the pay of executive directors and the creation of value for shareholders. At 31st March 1995, a four year, long term bonus scheme was completed and a replacement long term scheme has been introduced with effect from 1st April 1995. One half of any bonus due is disclosed in the final year of a bonus earning period. Conditions as to continuing employment with the company are attached to the other half of any bonus earned relating to directors who are employed at the conclusion of a bonus period and this part of a bonus will be disclosed as remuneration when those conditions have been satisfied. Details of both schemes are as follows:

Executive Director Long Term Bonus Scheme (1991 to 1995)

This scheme was introduced on 1st April 1991. Company performance was measured in terms of total shareholder return. Awards were based upon the performance of the company over the four year period to 31st March 1995 relative to a league table of other leading companies.

Over the period 1991 to 1995, shareholders have received total returns of 67% placing the company in third place relative to ten peer companies. Executive directors will receive a total award equal to 66.7% of cumulative salary for this performance. One half of the total award, less graduated payments made during the period, will be paid in June 1995 and is shown on page 69. The balance of the awards to executive directors employed at 31st March 1995, amounting in aggregate to £1,543,000, will be paid in June 1996 on condition that the director in question remains employed by the company until 31st March 1996 (except in the circumstances of normal retirement, disability or death). Directors who have retired during the bonus scheme period receive all their entitlement, less graduated payments already made, in June 1995.

Executive Director Long Term Bonus Scheme (with effect from 1st April 1995)

This scheme replaces both the 1991 to 1995 long term bonus scheme completed on 31st March 1995, and the executive share option scheme. As mentioned earlier, no future grants of executive share options will be made. In recognition of this change, the award opportunity associated with executive directors' long term bonus scheme has been increased. Executive directors have agreed to exercise all their existing executive share options by 31st March 1998.

Under the revised scheme, company performance will be measured over rolling, four year cycles, in terms of total shareholder return relative to a peer group of ten other leading companies. The reference group will be updated at the beginning of each performance cycle at the remuneration committee's discretion, to maintain peer group relevance.

The rolling nature of this scheme provides the opportunity for executive directors to receive a long term bonus annually up to a maximum of 90% of average annual salary during the performance period if company performance is in one of the top three positions of the league tables. If performance is such that the company ranks in one of the bottom three positions no bonus will be earned. Due to the nature of rolling performance cycles, a period of transition into the scheme is necessary and initial performance cycles have begun on 1st April 1995 and will end on 31st March 1997, 1998 and 1999. From April 1996, four year cycles will commence on an annual basis.

After the end of each performance period, one half of earned rewards will be paid in cash in the month of June following the conclusion of the financial year. At that time, the value of the remaining half will be converted into an equivalent number of shares in the company at the market price then ruling and these shares will be released to the executive director after a further period of three years. If a director leaves the company during the three-year period (except in the case of normal retirement, disability or death), his entitlement to those shares will lapse.
Benefits: in addition to base salary and bonuses, executive directors receive benefits, including a company car, pension, sick pay and holidays, which overall provide a reasonably competitive package comparable with that provided by other major employers.

	Chairmen 1995 £000	Chairman 1994 £000	Deputy Chairman and Chief Executive 1995 £000	Deputy Chairman and Chief Executive 1994 £000	All 1995 £000	All 1994 £000
Executive directors:						
Salaries	**133**	160	**445**	415	**1,768**	1,870
Performance related bonuses						
– long term scheme, net of previous payments	**–**	–	**350**	149	**2,157**	647
– short term scheme	**–**	–	**93**	102	**415**	435
Long service payments and other benefits	**6**	10	**10**	10	**87**	110
	139	170	**898**	676	**4,427**	3,062
Pension contributions					**232**	364
					4,659	3,426
Non-executive directors:						
Fees					**86**	69
Payment for committee work					**53**	41
					139	110
Total remuneration					**4,798**	3,536

Sir Michael Angus was appointed Chairman with effect from 21st July 1994. Prior to that he was a non-executive director. Sir Christopher Benson was Chairman in 1994 until his retirement on 21st July 1994. His remuneration from 1st April 1994 until his retirement was £56,000 (1994 £170,000). No pension contributions were paid in respect of the Chairmen in either year.
The Deputy Chairman and Chief Executive is the highest paid director. Pension contributions in respect of the Deputy Chairman and Chief Executive amounted to £67,000 (1994 £62,000 in addition to £110,000 for an unfunded arrangement).
One half of long term bonus is not retained beyond the four year bonus earning period where a director retires from employment during that period. Bonuses include £492,000 in respect of such amounts attributable to directors who retired during the year and these are included in the bands shown below. Bonuses also include £390,000 (1994 £35,000) in respect of those directors who retired earlier in the four year period.
An analysis of remuneration of directors, excluding pension contributions, is shown below:

	Number of directors 1995	Number of directors 1994		Number of directors 1995	Number of directors 1994
£895,001–900,000	**1**	–	£310,001–315,000	**–**	1
£765,001–770,000	**1**	–	£295,001–300,000	**–**	1
£675,001–680,000	**–**	1	£270,001–275,000	**–**	1
£525,001–530,000	**1**	–	£205,001–210,000	**–**	1
£490,001–495,000	**1**	–	£170,001–175,000	**–**	1
£445,001–450,000	**1**	–	£ 85,001– 90,000	**1**	–
£385,001–390,000	**1**	–	£ 55,001– 60,000	**1**	–
£375,001–380,000	**1**	–	£ 25,001– 30,000	**4**	4
£360,001–365,000	**–**	2	£ 10,001– 15,000	**2**	–
£330,001–335,000	**–**	1	£ 5,001– 10,000	**–**	1
			£ 0– 5,000	**–**	1

In addition, a payment of £155,000 (1994 £228,000) was made to a former director in respect of loss of office during the year. Details of share options granted to, or exercised by, directors during the year are shown in note 28.

28 Directors' shareholdings

The beneficial interests of the directors and their families in the share capital of the company at 31st March 1995 are shown below. Included under 'ordinary shares' are those held in trust under the company's 1981 profit sharing scheme. No director holds any loan capital.

	Ordinary shares 1995	Ordinary shares 1994		Ordinary shares 1995	Ordinary shares 1994
Sir Michael Angus	**3,348**	1,348	Sir Peter Reynolds	**3,502**	3,454
Sir James Blyth	**40,257**	15,336	M F Ruddell	**28,547**	14,213
P J Davis	**3,098**	3,068	G R Solway	**29,657**	29,632
F M Harrison	–	–*	D A R Thompson	**40,529**	11,976
A H Hawksworth	**33,529**	23,297	Sir Clive Whitmore	–	–*
G M Hourston	**32,212**	32,074	R P Wilson	**2,000**	2,000
Sir Ian Prosser	**1,072**	1,072			

*at date of appointment.

In addition Sir Peter Reynolds has a non-beneficial interest in 1,300 (1994 1,300) ordinary shares. Directors' holdings on 31st May 1995 are unchanged, except that G R Solway's holding has reduced by 4,650 shares. Information on the company's share option schemes is in note 22. Share options allow the holders to buy the company's shares at a future date at the market price prevailing a few days before the date of grant.

	Ordinary shares under executive and SAYE options							
	1995				Exercised during the year			1994
	Number outstanding	Average exercise price	Number not available for exercise	Number available for exercise	Number	Average exercise price	Average market price	Number outstanding
Sir Michael Angus	–	–	–	–	–	–	–	–
Sir James Blyth	**414,196**	428p	246,696	167,500	44,247	283p	550p	410,943
P J Davis	–	–	–	–	–	–	–	–
F M Harrison	–	–	–	–	–	–	–	–
A H Hawksworth	**147,467**	411p	77,225	70,242	35,000	286p	579p	182,467
G M Hourston	**115,995**	383p	15,000	100,995	–	–	–	115,995
Sir Ian Prosser	–	–	–	–	–	–	–	–
Sir Peter Reynolds	–	–	–	–	–	–	–	–
M F Ruddell	**171,855**	430p	94,355	77,500	36,747	291p	573p	168,602
G R Solway	**187,192**	409p	79,692	107,500	–	–	–	144,692
D A R Thompson	**190,838**	461p	145,838	45,000	93,495	328p	529p	214,333
Sir Clive Whitmore	–	–	–	–	–	–	–	–
R P Wilson	–	–	–	–	–	–	–	–

The prices shown for options exercised during the year represent the weighted average of prices. The average exercise price for 1995 represents the weighted average price for options outstanding. Exercise prices in respect of options available for exercise are all beneath the market price at 31st March 1995 of 509p. The range of market prices during the year was 458p to 582p. No executive options lapsed during the year. Dates from when options are exercisable and expiry dates are shown in note 22.

Share options granted during the year under the executive share option scheme, up to the maximum multiple of salary permitted by the Inland Revenue, as replacements for options previously exercised were as follows at the prices shown:

	At 482p	At 531p	Total
Sir James Blyth	27,500	20,000	47,500
M F Ruddell	35,000	5,000	40,000
G R Solway	–	42,500	42,500
D A R Thompson	–	70,000	70,000

No further executive share options are to be granted as explained in note 27.

There were no SAYE share options granted to executive directors during the year.

The company's register of directors' interests, which is open to inspection, contains full details of directors' shareholdings and options to subscribe.

	Percentage held by parent	Percentage held by subsidiary undertakings	Country of incorporation where operating overseas	Principal activities
Parent				
The Boots Company PLC				Manufacturing, marketing and distribution of pharmaceuticals and consumer products
Subsidiary undertakings (registered in England and Wales)				
A. G. Stanley Ltd.		100		Retailing of decorative products and interior furnishings
BCM Ltd.	100			Manufacturing pharmaceuticals and consumer products
Boots Development Properties Ltd.		100		Property development
Boots Healthcare International Ltd.	100			Marketing consumer products
Boots Opticians Ltd.		100		Registered opticians
Boots Properties PLC	100			Property holding
Boots The Chemists Ltd.	100			Retail chemists
Childrens World Ltd.	100			Retailing of goods and services for children
Crookes Healthcare Ltd.	100			Marketing consumer products
Halfords Ltd.	100			Retailing of car parts, accessories and bicycles and car servicing
Optrex Ltd.	100			Marketing consumer products
Subsidiary undertakings (incorporated overseas)				Activities refer to pharmaceutical and/or consumer products unless otherwise indicated
The Boots Company (Australia) Pty. Ltd.	100		Australia	Manufacturing and marketing
Boots Healthcare SA NV		100	Belgium	Marketing
Boots Healthcare SA	100		France	Marketing
Mountgrave Insurance Ltd.	100		Guernsey	Insurance company
Boots Healthcare Ltd.		100	Ireland	Marketing
Boots Healthcare Marco Viti Farmaceutici S.p.A.	100		Italy	Manufacturing and marketing
Boots Investments Ltd.	100		Jersey	Investment company
The Boots Company (Kenya) Ltd.		100	Kenya	Manufacturing and marketing
Optrex (Malaya) Sdn. Bhd.		100	Malaysia	Marketing
Boots Healthcare BV		100	Netherlands	Marketing
The Boots Company (New Zealand) Ltd.	100		New Zealand	Marketing
The Boots Company (Philippines) Inc	100		Philippines	Marketing
The Boots Company (Far East) Pte. Ltd.	100		Singapore	Marketing
The Boots Company (South Africa) (Pty.) Ltd.	100		South Africa	Manufacturing and marketing
Boots Healthcare S.A.	100		Spain	Marketing
The Boots Company (Thailand) Ltd.	100		Thailand	Marketing
Associated undertaking (registered in England and Wales)				
Do It All (Holdings) Ltd.				DIY retailer
83,500,000 'A' ordinary shares	100			
83,500,000 'B' ordinary shares	–			

All percentages relate to holdings of ordinary share capital.
All companies operate principally in the country of incorporation.

Profit and loss account	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Turnover	**4,308.1**	4,167.1	3,962.1	3,660.3	3,567.0
Operating profit before exceptional items	**520.2**	487.9	426.5	405.5	403.0
Operating exceptional items	**2.8**	(73.8)	(3.0)	–	–
Operating profit	**523.0**	414.1	423.5	405.5	403.0
Other exceptional items	**321.3**	5.3	.5	(18.8)	19.7
Profit on ordinary activities before interest	**844.3**	419.4	424.0	386.7	422.7
Net interest	**5.4**	(3.1)	(19.6)	(46.1)	(66.8)
Profit on ordinary activities before taxation	**849.7**	416.3	404.4	340.6	355.9
Taxation	**(185.8)**	(126.3)	(124.4)	(109.7)	(109.0)
Profit on ordinary activities after taxation	**663.9**	290.0	280.0	230.9	246.9
Minority interests	**(4.7)**	(1.7)	(1.7)	(1.5)	(1.9)
Profit attributable to shareholders	**659.2**	288.3	278.3	229.4	245.0
Dividends	**(166.4)**	(156.0)	(139.0)	(126.4)	(114.3)
Profit retained	**492.8**	132.3	139.3	103.0	130.7

Total recognised gains and losses					
Profit attributable to shareholders	**659.2**	288.3	278.3	229.4	245.0
Surplus/(deficit) on revaluation of properties	**6.6**	16.8	(223.2)	–	–
Currency translation differences	**(18.5)**	1.7	34.5	3.3	(27.0)
Other net gains/(losses)	**.2**	.7	(.5)	13.5	(3.3)
Recognised gains and losses for the year	**647.5**	307.5	89.1	246.2	214.7

Movements in shareholders' funds					
Recognised gains and losses for the year	**647.5**	307.5	89.1	246.2	214.7
Dividends	**(166.4)**	(156.0)	(139.0)	(126.4)	(114.3)
New share capital subscribed	**15.4**	9.3	126.2	52.2	11.8
Repurchase of shares	**(511.3)**	–	–	–	–
Goodwill purchased	**(3.9)**	(7.1)	(1.4)	(2.7)	2.0
Goodwill released on disposal of businesses	**383.4**	.4	–	–	–
Currency adjustment on goodwill	**33.6**	(23.7)	(29.0)	(1.8)	20.9
Increase in shareholders' funds	**398.3**	130.4	45.9	167.5	135.1

Comparative figures have been restated to reflect the changes in accounting policy and in presentation explained in note 2.

Balance sheet	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Fixed assets	**1,526.7**	1,525.3	1,459.8	1,633.9	1,582.5
Investments	**30.6**	57.1	70.8	57.5	49.7
Net current assets/(liabilities)	**761.9**	378.5	375.4	17.0	(53.2)
Other creditors	**(264.7)**	(315.9)	(393.3)	(236.4)	(276.6)
Provisions for liabilities and charges	**(47.6)**	(29.1)	(27.9)	(34.6)	(31.1)
Net assets	**2,006.9**	1,615.9	1,484.8	1,437.4	1,271.3
Represented by:					
Shareholders' funds	**2,006.9**	1,608.6	1,478.2	1,432.3	1,264.8
Minority interests	**–**	7.3	6.6	5.1	6.5
	2,006.9	1,615.9	1,484.8	1,437.4	1,271.3

Cash flow statement					
Net cash inflow from operating activities	**642.3**	635.9	549.6	472.2	407.8
Returns on investment and servicing of finance	**(144.1)**	(47.6)	(238.8)	(138.5)	(152.8)
Tax paid	**(139.5)**	(108.6)	(100.3)	(93.4)	(108.9)
Investing activities	**838.7**	(260.8)	(282.6)	(200.2)	(124.5)
Net cash inflow/(outflow) before financing	**1,197.4**	218.9	(72.1)	40.1	21.6
Financing	**(508.9)**	(126.2)	183.6	(5.0)	48.4
Increase in cash and cash equivalents	**688.5**	92.7	111.5	35.1	70.0

Statistics					
Sales growth	**3.4%**	5.2%	8.2%	2.6%	5.4%
Return on shareholders' funds	**41.3%**	19.6%	19.5%	18.3%	21.8%
Earnings per share	**65.7p**	27.7p	26.9p	23.0p	24.9p
Earnings per share before exceptional items	**36.0p**	33.0p	27.1p	24.9p	22.9p
Net cash/(debt)	**517.2**	69.0	(203.8)	(362.3)	(472.0)
Capital expenditure	**249.8**	224.0	169.0	172.7	164.8

Return on shareholders' funds is calculated as profit on ordinary activities after taxation as a percentage of opening shareholders' funds.

Shareholder value					
Dividend per share	**17.0p**	15.0p	13.4p	12.4p	11.6p
Dividend cover	**4.0**	1.8	2.0	1.8	2.1
Share price:					
Highest	**582p**	605p	561p	479p	374p
Lowest	**458p**	417p	403p	359p	249p

	1995 £m	1994 £m	1993 £m	1992 £m	1991 £m
Turnover, including inter-segmental turnover:					
Boots The Chemists	**2,943.8**	2,808.0	2,663.9	2,471.8	2,360.6
Halfords	**377.9**	357.0	327.2	306.9	290.1
Boots Opticians	**119.1**	102.1	93.9	84.3	73.8
Childrens World	**104.8**	84.1	70.2	63.5	54.6
A. G. Stanley	**114.6**	111.6	111.6	110.9	114.8
Share of Do It All	**185.3**	194.2	200.2	203.7	219.4
Boots Healthcare International	**203.5**	227.7	210.9		
Boots Contract Manufacturing	**216.0**	208.8	195.2		
Boots Properties					
Development	**5.6**	20.7	1.1	5.6	1.0
Investment	**92.4**	87.7	82.9	74.1	65.9
Operating profit before operating exceptional items:					
Boots The Chemists	**349.7**	323.9	284.4	246.4	229.2
Halfords	**20.5**	14.5	4.5	(9.5)	3.3
Boots Opticians	**8.3**	6.7	6.6	5.7	4.2
Childrens World	**.5**	(1.6)	(3.3)	(6.4)	(4.5)
A. G. Stanley	**(8.5)**	(1.2)	2.8	6.5	9.7
Share of Do It All	**(6.3)**	(10.6)	(11.3)	3.2	10.4
Boots Healthcare International	**9.8**	21.3	15.9		
Boots Contract Manufacturing	**17.8**	16.2	13.1		
Boots Properties					
Development	**1.7**	5.8	(2.3)	4.1	.5
Investment	**65.1**	61.3	56.6	50.7	46.2
Capital expenditure:					
Boots The Chemists	**81.6**	91.9	63.2	62.7	59.4
Halfords	**16.7**	10.6	7.7	5.6	13.9
Boots Opticians	**18.8**	12.5	4.6	6.4	5.7
Childrens World	**7.5**	5.5	3.1	1.3	4.6
A. G. Stanley	**8.8**	9.7	6.8	4.7	6.2
Boots Healthcare International	**5.7**	3.4	5.1		
Boots Contract Manufacturing	**22.2**	18.8	18.5		
Boots Properties	**73.6**	54.1	36.7	45.3	38.7

Comparative figures for Boots Healthcare International and Boots Contract Manufacturing are unavailable for years earlier than 1993, as these business segments were not established until that year.

Comparative figures have been restated to reflect the changes in accounting policy and in presentation explained in note 2.

In July 1994, Boots Healthcare International sold its Farley's business.

Annual general meeting
The annual general meeting will be held at 11.00 am on Thursday, 27th July 1995 at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London. Each shareholder is entitled to attend and vote at the meeting, the arrangements for which are described in the accompanying notice.

Dividend payments
The proposed final dividend (if approved) will be paid on 23rd August 1995 to shareholders registered on 29th June 1995. Subject to the passing of the necessary resolutions proposed at the annual general meeting, shareholders will have the opportunity to receive their dividend in shares instead of cash. Details will be posted to shareholders on 6th July 1995.
The expected dividend payment dates for the year to 31st March 1996 are:

Interim dividend	February 1996
Final dividend	August 1996

Results
For the year to 31st March 1996:

Interim results announced	November 1995
Interim statement circulated	November 1995
Preliminary announcement of full year results	June 1996
Annual report circulated	June 1996

Capital gains tax
For capital gains tax purposes, the market price of the company's ordinary shares of 25p each on 31st March 1982 was 112.5p.

Low cost share dealing service
Details of special low cost dealing services in the company's shares may be obtained from Hoare Govett Corporate Finance Limited (telephone 0171 601 0101) and from National Westminster Bank Plc (telephone 0171 895 5454). Hoare Govett is a member of the Securities and Futures Authority and National Westminster Bank Plc is regulated by the Personal Investment Authority and IMRO.
Both Hoare Govett and National Westminster Bank Plc have approved the references to them for the purposes of section 57 of the Financial Services Act 1986.

Personal equity plans (PEPs)
General and Single Company PEPs in the ordinary shares of the company are available for investors wishing to take advantage of preferential tax treatment in relation to their shareholdings. For further information contact The Plan Manager, National Westminster Bank Plc, Natwest PEP Office, 55 Mansell Street, London E1 8AN.
Telephone helpline 0171 895 5600.

Registrar and Transfer Office
The Royal Bank of Scotland plc, Registrar's Department, PO Box 82, Caxton House, Redcliffe Way, Bristol BS99 7NH.

Company Secretary and Registered Office
I A Hawtin; The Boots Company PLC, Nottingham NG2 3AA. Telephone 0115 950 6111. The Boots Company PLC is registered in England and Wales (No. 27657).

Analysis of shareholders at 31st March 1995

Shareholders' range	Number	%	Total holding	%
1– 500	37,373	28.09	9,113,125	.96
501– 1,000	32,076	24.11	24,402,717	2.57
1,001– 10,000	59,808	44.95	156,336,794	16.48
10,001– 100,000	3,128	2.35	76,219,811	8.03
100,001– 1,000,000	527	.39	165,765,342	17.47
Over 1,000,000	143	.11	517,085,075	54.49
	133,055	100.00	948,922,864	100.00

	Page
Accounting policies	46, 51
Accounting standards	10
Annual general meeting	75
Associated undertakings	46, 48, 51, 52, 54, 58, 71
Auditors' remuneration	52
Auditors' report	39
Balance sheets	
– Group	44, 73
– Parent	45
Board committees	37, 38
Board of directors	36, 41
Borrowings	60, 64
Business units	4
Capital commitments	66
Capital expenditure	8, 66, 73, 74
Cash flow statement	8, 45, 64, 73
Chairman's statement	2
Charitable donations	32, 41
Chief executive's review	6
Community relations	32
Contingent liabilities	66
Corporate governance	38
Creditors	59, 60
Current asset investments	59, 64
Debtors	59
Deferred taxation	47, 54, 61
Depreciation	46, 52, 53, 56, 64
Directors' remuneration	38, 67
Directors' report	40
Directors' responsibilities statement	39
Directors' shareholdings	70
Disposal of businesses	40, 53
Dividends	1, 2, 11, 40, 55, 63, 65, 73, 75
Earnings per share	1, 10, 42, 55, 73
Employees	5, 31, 40, 67
Environment	35
Exceptional items	47, 52, 72
Finance leases	47, 56, 60
Financial record	72, 74
Financial review	8
Fixed assets	
– Investments	46, 58
– Tangible	46, 56
– Intangible	47, 55
Foreign currencies	9, 46
Free cash flow	8
Going concern	38
Goodwill	46, 62
Group financial highlights	1

	Page
Internal control	38
Interest	9, 51, 54, 66
Investment properties	46, 56, 62
Licence income	52
Low cost share dealing service	75
Net assets	50, 73
Net cash/debt	1, 64, 73
Note of historical cost profits and losses	43
Operating leases	47, 52, 66
Operating profit	1, 49, 51, 52, 72, 74
Operational review	
– Boots The Chemists	12
– Boots Opticians	16
– Halfords	16
– Childrens World	21
– A. G. Stanley	21
– Do It All	22
– Boots Pharmaceuticals	25
– Boots Healthcare International	25
– Boots Contract Manufacturing	26
– Boots Properties	29
Pensions	47, 66
Personal equity plans (PEPs)	75
Principal activities	4, 40
Principal companies	71
Profit and loss account	42, 72
Property development stocks	58
Property valuations	40, 46, 56
Provisions for liabilities and charges	61
Purchase of businesses	65
Reconciliation of movements in shareholders' funds	43, 72
Registrar	75
Repurchase of shares	2, 11, 40, 62, 63
Research and development	47, 52
Reserves	62
Segmental information	48, 74
Share capital	40, 62, 63
Share information	
– Analysis of holdings	40, 75
– Highest/lowest prices	70, 73
– Share options	63, 67, 70
Shareholder returns	10
Statement of total recognised gains and losses	43, 72
Stocks	47, 58
Taxation	9, 41, 54,75
Treasury policy	9
Turnover	1, 5, 47, 48, 51, 52, 72, 74

Designed by Addison
Portrait photography by Anita Corbin and John O'Grady
Reportage photography by Markéta Luskačová
Printed by Oakley Press

Cover: Consort Royal Osprey Brilliance
Text: Consort Royal Osprey Brilliance, Mohawk Opaque Vellum
This document has been printed throughout on papers
manufactured by totally chlorine free processes.
Each contains a minimum of 10% post user recycled fibre.